

NORTH KOREA

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NORTH KOREA

THURSDAY, JANUARY 18, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1:32 p.m., in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. Seven years ago, one of our nation's great strategic thinkers outlined a new and bold approach to the North Korean challenge. He said that the United States should pursue a comprehensive and integrated approach toward the nuclear and missile programs of what so many have come to accept as the hermit kingdom. But this time, we would be equally prepared to wield both carrots and sticks to entice the hermit into a meaningful dialogue.

Pyongyang's verifiable steps to eliminate their nuclear and missile programs would be met with a package of incentives structured in a carefully modulated, step-by-step fashion, and if Pyongyang refuses to negotiate a verifiable deal, America and its allies would move assertively to contain the North Korean threat and protect the international security.

I am very pleased that the author of that ground-breaking and tough-minded plan, former Secretary of Defense Dr. William J. Perry, is here with us today to present his views on the forward course with North Korea. Given the dramatic increase in the threat posed to the United States by Pyongyang over the past 7 years, one must wonder if our national interests would have been better served by fully implementing Dr. Perry's thoughtful recommendations instead of deriding any and all foreign policy initiatives of the Clinton administration.

The initiation of the Six-Party Talks was smart policy, but the deep divisions within the administration have hobbled the negotiations from Day One. Until recently, the administration seemed satisfied with sending an American delegation who read canned talking points instead of engaging in a meaningful dialogue.

I have great confidence in Ambassador Christopher Hill, but I must wonder whether Pyongyang, having witnessed the first few years of this administration, has already made the strategic decision to delay serious negotiations until the next President is on the job. It is my hope that this is not the case. But North Korea's decision to test a nuclear device just 3 months ago would seem to indicate that a deal may not be in the offing.

In the meantime, we must have a simple goal. We must work assiduously to keep the door open for diplomacy. Ambassador Hill must be given maximum flexibility to deal with the North Koreans to advance the ball toward a verifiable and comprehensive deal.

I was very encouraged by Ambassador Hill's comments yesterday in Berlin, opening the door to an eventual bilateral dialogue with the North Koreans on normalization of relations after the nuclear issue has been resolved. In order to break down decades of mutual mistrust, we must also open up new channels of communication between North Koreans and the American people through increased cultural contacts.

I will continue to do my modest part. I have led two substantive trips to North Korea to meet Pyongyang's negotiating team, and relations with my hosts at the highest levels of government improved significantly over time. I will return to North Korea again this spring to underscore the importance of continuing a meaningful and substantive dialogue between our two nations, with the goal of establishing a Korean peninsula free of nuclear weapons.

Concrete progress toward a comprehensive deal may prove elusive unless we return to the approach outlined by Dr. Perry 7 years ago: Sustained, high-level, carefully calibrated, and reciprocal diplomacy. Short of this, we may very well see additional nuclear and missile tests from the North.

I am delighted to acknowledge the outstanding contributions made to peace on the Korean peninsula by our other distinguished witness today, Ambassador James Lilley. As ambassador to South Korea and, subsequently, China, Jim really played a crucial role in developing and implementing American policy in the region for decades. We greatly appreciate his penetrating insights into the North Korean regime and his recommendations on how we can improve our policy toward the Korean peninsula.

As our two witnesses today know very well, North Korea policy is bereft of easy options: Military, economic, or political. That said, the North Korean nuclear and missile threat is on a sharp rise, and it is imperative that our nation find a way, with the cooperation of China, South Korea, Japan, and Russia, to check this threat before the security of North Asia is further destabilized.

The stakes are enormous. North Korea could sell bombs or plutonium to third parties. It could complete a large reactor capable of producing 10 bombs every single year, and nuclear proliferation in Asia could be on its way. We must prevent this from happening.

Before turning to our witnesses today, I am delighted to recognize my good friend, the distinguished ranking member of the committee, Congresswoman Ileana Ros-Lehtinen, for her opening comments.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. Thank you for the time, and let me begin by thanking our witnesses for their testimony today.

North Korea's increasingly reckless behavior represents an immediate and growing threat not only on the Korean peninsula but to the entire Asia-Pacific region. This region has enjoyed an unprecedented period of peace and prosperity for several decades and has been transformed into an engine of the global economy.

However, North Korea's repeated provocations, including last year's July 4th missile launches and the October nuclear test, pose a great threat to the stability required for the region's continued growth.

The impact of a major crisis would be felt far beyond Korea, not only in Tokyo and Hong Kong but in London and New York as well.

Concerns have been raised that Kim Jong Il and his regime may conduct a second nuclear test in the near future. This, in turn, could trigger a nuclear arms race in the region, with Japan, South Korea, and perhaps even Taiwan reevaluating their fundamental security needs. The threat posed by North Korea's nuclear program has wider, even global, implications.

The regime has long been a major proliferator of nuclear and other weapons-of-mass-destruction materials and technology. Its ties to the Dr. A.Q. Khan nuclear black market network have been extensively documented. In addition, Pyongyang has been involved for many years in missile sales to Iran and other rogue states in the Middle East.

The damage caused to the northern cities of Israel last summer from North Korea missiles supplied by Iran to Hezbollah is a stark example of the threat posed by the regime's continuing proliferation.

We are seeking answers today on how to counter North Korea's increasingly provocative behavior. What steps can the United States take, working with specific allies, through the Six-Party Talks, and at the U.N. Security Council, to put the North Korean nuclear genie back in the bottle?

A regional proliferation problem needs a regional solution, as this is a concern which extends beyond the outstanding bilateral issues which separate Washington and Pyongyang. That will require a greater commitment and concrete action from other countries in the region, especially China.

Greater attention must also be focused on the various issues and the means by which North Korea has accessed the hard currency needed to finance its proliferation activities. Following the clampdown on the Macau-based Banco Delta Asia in 2005, Kim's regime was forced to resort to even more desperate and illicit activities to keep the cash flowing. These activities included ongoing schemes, such as fraudulent insurance claims and other financial scams, involving the United Nations Development Program and other U.N. agencies. We must work to deny these resources to the regime in North Korea. I expect this committee to devote continued attention to this problem in the months ahead.

Regarding the subject of the United Nations and North Korea, it should be noted that the U.N.'s most recent special envoy for North Korea was Canadian businessman and disgraced former U.N. official Maurice Strong. I remind my colleagues that Mr. Strong received \$1 million from Saddam Hussein, via Tongsun Park, who was convicted last year in a United States Federal court. Mr. Strong also received a number of gifts from Mr. Park, including subsidized rent of Strong's New York office.

I will be very interested to see who the new secretary-general selects to be Maurice Strong's replacement as the special envoy.

Given that Mr. Strong remains and retains strong friends in high places at the U.N., he may seek to play a role in selecting his own replacement.

The U.N. has the potential to play a positive role in 2007 with respect to North Korea. But it may choose to continue to play a very negative role by serving as a conduit for cash for the North Korean regime.

Kim Jong Il's past eagerness to engage in illicit activities, including drug trafficking in Japan and counterfeiting of United States currency, indicates that the Dear Leader would have no hesitation in striking a deal of proliferation for profit.

This is an issue of utmost urgency, and I welcome the comments of our distinguished panel of experts. Thank you very much, as always, Mr. Chairman.

Chairman LANTOS. Thank you very much, Congresswoman Ros-Lehtinen.

Before I turn to other members of the panel, let me just say, the last 2 days, we had the opportunity of hosting the incoming secretary general of the United Nations, Ban Ki-moon. Yesterday morning, he met with the Foreign Affairs Committee and the night before we hosted him at a dinner, and I am convinced that he is determined to change the culture of the United Nations, and he is approaching his very complex and difficult task with a firm determination to introduce the highest ethical standards within the U.N.'s structure, and I have every confidence that his appointments to the position you mentioned and all others will meet with our approval.

I am very pleased to recognize the distinguished chairman of the Asia Subcommittee for 3 minutes.

Mr. FALEOMAVEGA. Thank you, Mr. Chairman. I certainly would like to offer my personal welcome to Secretary Perry and Ambassador Lilley and look forward to their comments and certainly commend the outstanding services that they have rendered for our nation, especially on our foreign policy questions in this important region of the world.

Mr. Chairman, despite tough rhetoric from the administration, North Korea continues to have enough nuclear grade plutonium for six to eight atomic bombs, and, in October of last year, North Korea defied the international community and conducted its first nuclear test. Most will agree, the Six-Party Talks have not proven successful.

For obvious reasons, it is time for the United States to reassess its policies in the Korean peninsula. Bilateral discussions between the United States and North Korea should seriously be considered by the Bush administration. What is the administration afraid of? There is no harm in talking. Ironically, during the time of our number one enemy that we have confronted for some 40 years, which happens to be the Communist-Marxist Government of the Soviet Union, and yet we constantly communicated with the Soviet Union. We had dialogues. Disagreements, yes, but we had a dialogue.

We do not have to accept what North Korea says; neither should we place ourselves in a position where North Korea dictates what the policy should be. On the other hand, and in the interest of

defusing a dangerous situation, we should not fear dialogue. I have always been concerned that we are at war in Iraq at a time when North Korea is pointing missiles at our own country and, I suspect, probably even in other countries of the region. Add a nuclear warhead to the missiles, and North Korea will become a distinguished member of the nuclear club, thereby challenging the military and strategic dynamics of the entire Asia-Pacific region.

Japan, as an economic power second only to the United States, is not a permanent member of the United Nations Security Council and does not have a nuclear capability to defend itself if and when North Korea chooses to perhaps point Japan with its nuclear missiles and its capabilities.

Furthermore, with the United States preoccupation with Iraq at this time, will the United States defend Japan at all costs, or will Japan have to go nuclear to protect its own interests? If Japan does go nuclear, how comfortable with China feel?

And then there is the issue of Pakistan. The United States continues to subsidize Pakistan's military at about \$80 million per month, which is roughly equal to one-quarter of Pakistan's total defense expenditures. What the public may not know is that North Korea and Pakistan have been engaged in conventional arms trade for over 30 years, and then last year, 2006, General Musharraf admitted that Pakistan has transferred nuclear technology to North Korea and other rogue nations as well.

What does a Pakistan-North Korea alliance mean for India, and why does the United States continue to turn a blind eye. I do not know.

These questions are daunting, and given the dangerous circumstances of our times and the potential for nuclear proliferation in the Asia-Pacific region, I believe our most important responsibility is to do all in our power to further peace.

As we can all agree, the most valuable resource of any nation is its people, and under no circumstances should we expend our lives if alternatives to war can be found. This is why I am hopeful that the United States will seriously consider bilateral discussions with North Korea and reconsider its position toward Iraq.

I am happy to say that there was a recent article in today's papers, the *New York Times* and the *Washington Post*, that Secretary Chris Hill has recently held 2-day sessions with the North Korean leaders, I believe, in Berlin, after consultations with our Secretary of State, Condi Rice, and shortly our subcommittee definitely plans to hold hearings with Secretary Hill on this issue and see where we need to go from there.

Thank you, Mr. Chairman, and I look forward to hearing from our witnesses.

Chairman LANTOS. Thank you very much. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman, and welcome, Ambassador Lilley, and welcome, Mr. Perry.

Last Congress, this committee passed legislation that I and others on this panel championed, the North Korean Nonproliferation Act of 2006, and that bill became law, and I am pleased that this committee is keeping a focus on North Korea, and I look forward to building on last year's work.

I do, though, come to this hearing a little surprised. A press report this week noted that the Treasury Department is scrutinizing the \$24 million frozen in the Banco Delta Asia case—now that is in Macau—looking to segregate the so-called legitimate and illegitimate North Korean accounts.

At a November hearing with Under Secretary Burns, I asked that we not go wobbly on financially pressuring Pyongyang. It would seem to me very difficult, if not impossible, to differentiate between these activities, given that most of the country's financial system is based on a broad range of illicit, state-sanctioned activity, such as trade in missile technology to state sponsors of terrorism, such as counterfeiting and narcotics trafficking. Now that is the main source of income coming into the country.

It seems that some are reasoning that nothing should get in the way of brokering a deal with North Korea on its nuclear weapons.

Chairman LANTOS. I am sorry. The gentleman's time is up.

Mr. Ackerman.

Mr. ACKERMAN. If this morning's papers are to be believed, Mr. Chairman, we have finally arrived at a point that many of us have been advocating since the beginning of the Bush administration: Direct negotiations with North Korea. If it were not so horrendously late in the game, I would make a motion to give three cheers for the victory of rationalism over ideological purity.

While the administration dithered externally and bickered internally, North Korea went about the business of reprocessing plutonium and, last fall, testing a nuclear weapon. Those inside the administration who believed that if we simply sanction, isolate, and pressure the North long enough they will collapse, have misread the situation from the beginning.

North Korea's obvious willingness to defy China, its closest ally and largest provider of foreign aid, should be a clear signal to all concerned that Kim Jong Il thinks he can survive the wave of international sanctions and still have his bombs. We know what the outlines of the deal look like. We get a nuclear-free Korean peninsula. They get security guarantees, economic assistance, and integration into the community of nations.

Now that the Bush administration has gotten over its fear of direct negotiations, it is time to get to work, and I look forward to hearing from our two very distinguished witnesses.

Ms. ROS-LEHTINEN. Mr. Chairman, if I could ask a question about the time element. It seems to me that Mr. Royce still had a minute and 30 seconds to go on his time, and then when Mr. Ackerman started to speak, it took a minute to get his time up on the board.

I do not want to have a petty, time-issue discussion with you, Mr. Chairman. You are my good friend, and I know you want to work in a bipartisan way, but if you want to have those time-element issues, we really need to be fair, and I know that you are a fair man, and I am not blaming the timekeeper either, but—

Chairman LANTOS. Well, let me advise the ranking member, the policy of the Chair is as follows: The ranking member and the Chair make opening statements without time limit. The chairman and the ranking member of the relevant committee get 3 minutes. The ranking member of the Asia Subcommittee is not present. Mr.

Royce, as all other members, receives 1 minute time. I hope this clarifies the picture.

Ms. ROS-LEHTINEN. That would be fine if——

Mr. SHERMAN. Mr. Chairman, if I could be recognized. I fully understand your policy. I think these hearings are so involved with proliferation that perhaps there would be two subcommittee chairs that would be accorded the extra time.

Chairman LANTOS. That seems like a reasonable suggestion and the ranking member of the Nonproliferation Subcommittee and the chairman will each be recognized for 3 minutes.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Chairman LANTOS. Mr. Chabot.

Mr. CHABOT. I am not the ranking member, Mr. Chairman.

Chairman LANTOS. But you are recognized for a minute.

Mr. CHABOT. Well, thank you very much. I think we look forward to the testimony of both of the excellent witnesses we have here today.

I guess, just in response to some of Mr. Ackerman's remarks, and this committee tends to be bipartisan, but there are some partisan remarks which occur, and I think blaming this administration for dithering, et cetera, sort of begs the question of the previous administration, and some of the problems that we see right now with North Korea, I think, are a direct result of the botched negotiations that took place and the mess that this administration found itself in because of the mistakes of the previous administration. I guess there goes bipartisanship. I yield back the balance of my time.

Chairman LANTOS. I thank the gentleman. I am pleased to recognize the chairman of the Nuclear Nonproliferation Subcommittee for 3 minutes, Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman. We had a strategy laid out: Carrots and sticks in order to achieve CVID, complete, verifiable, irreversible disarmament. The strategy has failed. It has failed because we have not had enough carrots, and we have not had enough sticks, not because it was poorly conceived.

We need more carrots. We ought to be offering, as now Secretary Hill has finally done so, normal diplomatic relations. We ought to be offering trade. We ought to be offering a nonaggression pact. We should not be offering carte blanche to counterfeit American currency. But with more carrots, we stand a better chance of achieving the objective.

We also need more sticks. Now, where do you go in this world when you need something? When you need a shirt, you need a radio, you need sticks, you go to China. That is why we are running a \$200 billion trade deficit with China. Well, in this case, we need to import from China some sticks.

Now, we could go to China and beg and plead and lecture them and tell them that it is in their interest to inform North Korea that their oil might be turned off if they turn down this plethora of carrots that America is offering. We have tried that. China does not need lecturing. It does not need begging. It does not respond to begging. What we need to do is inform the Chinese that how we deal with the currency issue will be dramatically affected by whether they are willing not only to look at their own national interest in

preventing North Korea from having nuclear weapons but are willing to look at our even greater concerns in that area.

To dismiss this and to say, well, China does not want North Korea to have nuclear weapons, so whatever China chooses to do must be the right thing for China to do, is to continue business as usual, continue to have inadequate sticks, and no doubt will lead to the same results that we have had so far.

The problem we have in Washington is that those who are concerned with national security are far less powerful than those who profit from imports. If we can galvanize the American people to say that we are going to have to get tougher with Beijing in order to get them to do more to achieve what is a joint concern and a joint goal, then we may succeed.

To ask Secretary Hill to go meet, at a two-sided table or a six-sided table, to offer an inadequate collection of carrots and to tap a pencil because he has no sticks guarantees continued failure. I yield back.

Chairman LANTOS. Thank you. If Mr. Royce would like additional time, I am delighted to give it to him.

Mr. ROYCE. Mr. Chairman, I appreciate that very much. I would just wrap up by saying that I want to end the North's nuclear program as well, but brushing aside things like counterfeiting of \$100 bills, counterfeiting of hundreds of millions of dollars in \$100 bills, which is a direct attack on a protected national asset, which is our dollar, not to mention North Korea's record on human rights, ignores the reality of this regime and makes me wonder if there is a deal that the North will abide by.

We know the history here, and it seems to me that you have got a mafia state that is counterfeiting our currency, and, under that circumstance, it would seem a better concept to freeze the assets, to keep them frozen, and to deny that state the ability to have the hard currency to put into its nuclear weapons program, as well as stopping its trafficking in narcotics, and bringing the pressure to bear financially to change that regime. That would seem to be the solution to me.

Mr. Chairman, I appreciate the time. Thank you.

Chairman LANTOS. Surely. Congresswoman Sheila Jackson Lee for 1 minute.

Ms. JACKSON LEE. Mr. Chairman, thank you very much to you and the ranking member for, I think, this important hearing. Let me thank and welcome Secretary Perry and Ambassador Lilley.

As Secretary Albright indicated yesterday, in this business of diplomacy and negotiations, silence is not golden. I hope that we will look forward into the 21st century and engage not only in bilateral talks but any manner of negotiations and diplomacy that will generate the kind of resolution we need between North and South Korea.

Our soldiers now are placed on the very important military demarcation line that has stayed over 50 years. We owe them engagement, and I would hope that we would cease using terms like "axis of evil," and I hope we would engage in discussions about the misuse and abuse of our currency, but we cannot solve any problems by the deafening silence that I am hearing from the present administration.

With that, Mr. Chairman, I yield back.

Chairman LANTOS. Thank you. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, Mr. Chairman. Let me compliment you on the way you just handled your first little crisis here, and your wisdom has shown through, and thank you very much.

Let me note that we do not have enough carrots and sticks to affect any policy decisions on the part of North Koreans as long as we feed the people of North Korea. We have taken the pressure off North Korea by making them the recipients, the largest recipients, of American foreign aid in Asia. They have been receiving hundreds of millions of dollars of food aid. Why would they care what our other carrots and sticks are as long as we are feeding their army and feeding their people?

Let us note that no matter what type of negotiations we have, we have taken away our own leverage there. We should be supporting regime change and, with the strongest and harshest language, condemning this brutal dictatorship and siding with those elements in North Korea, trying to foster them, who would oppose this dictatorship.

We need to hold them accountable for the counterfeiting and drug dealing. We need to make sure that the people of that country know what type of regime they have, and we have not taken the steps to do that.

Finally, we need to hold China accountable for its relationship with Korea, which is nefarious.

Chairman LANTOS. The gentleman's time has expired. Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman. Again, I would like to welcome you to the committee as well.

I think that paramount to me and, I think, to a lot of the American people is they get a very sober, sober opinion from the two of you as to whether or not South Korea is maintaining this sort of cat-and-mouse game to kind of relay it over to the next administration, which could be 2 years.

What would be the consequences of that, particularly given, if we are correct, that their capability is to make at least 10 nuclear weapons in each 1-year period, which would come to about 20?

What is the probability, or what is our intelligence telling us about the probability, of them selling them to third parties or to a variety of terrorist groups, remembering that what I think is their most crucial problem is that their people are starving? It could very well be that they are using these nuclear weapons as collateral—

Chairman LANTOS. The gentleman's time has expired.

Mr. SCOTT. I look forward to your testimony.

Chairman LANTOS. Mr. Inglis.

Mr. INGLIS. Mr. Chairman, I look forward to hearing from the witnesses and very much appreciate the hearing.

Chairman LANTOS. Thank you. Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman. I will be very brief. I want to commend you, Mr. Chairman, for indicating that you are contemplating a trip to North Korea. I think that is very important, and I would look forward to joining you on that effort. I think that is significant.

I also want to express my concerns about the statement by the ranking member relative to the appointment to replace Mr. Strong, Mr. Michael Strong, and I would hope that, in camera, so to speak, she could share with us the evidence that he is attempting to influence that appointment. I think that is something that we all should be made aware of, and with that, I yield back.

Chairman LANTOS. Thank you. Mr. Tanner.

Mr. TANNER. Thank you, Mr. Chairman. I just want to enjoy an unexpressed opinion here and look forward to the witnesses. I wanted to come hear you all. Thank you for being here.

Chairman LANTOS. Thank you very much. Ms. Woolsey.

Ms. WOOLSEY. Mr. Chairman, I echo the remarks of the gentleman just before me.

Chairman LANTOS. Thank you. Mr. Wu.

Mr. WU. I will join the gentleman from Tennessee in his eloquence. Thank you, Mr. Chairman.

Chairman LANTOS. We thank all three of you, and I am delighted to welcome Secretary Perry. We are grateful that you are willing to share your wisdom and experience with us. You are one of our nation's most distinguished strategic thinkers, and we look forward to your testimony. Could you push the right button?

Mr. PERRY. I have submitted written testimony, with your permission, to enter into the record.

Chairman LANTOS. Without objection.

Mr. PERRY. And I will only summarize it in my comments.

Chairman LANTOS. Without objection.

**STATEMENT OF THE HONORABLE WILLIAM PERRY, SENIOR
FELLOW AT THE HOOVER INSTITUTION, FORMER SEC-
RETARY OF DEFENSE**

Mr. PERRY. In October of last year, the North Koreans tested a nuclear bomb. This test, the culmination of 6 years of failed diplomacy with North Korea, poses a serious threat to the United States and to our allies in the region.

My testimony today will discuss the North Korea nuclear program by asking three related questions: Why should we care, how did they get there, and what should we do about it?

We should care, not because North Korea is going to put its bombs in missile warheads and fire them at us. They are still far from having that capability, and even if they get it, deterrence would still be effective. The North Korea regime is not seeking to commit suicide.

We should care because the North Korea nuclear program can stimulate a nuclear arms race in the Pacific with a host of dangerous consequences.

We should care because, as North Korea proceeds unchecked, there will be very little chance of stopping Iran, and we should care because a Korean or Iranian bomb could end up in the hands of a terror group who could detonate it in one of our cities.

North Korea has been working to achieve a nuclear weapons program for more than 20 years, and the United States has been working that same period of time to contain or delay that program. In my written testimony, I explain how their actions and our

counteractions have played out these past 20 years, leading to five nuclear crises, which I will briefly summarize now.

The first crisis occurred in 1990 and resulted in the freezing of the North Korea nuclear production under international inspection, but this freeze did not occur until they had produced a small amount of plutonium, enough to make one or two nuclear bombs.

In 1994, we came close to a second Korean war over North Korea's nuclear weapons program. In May 1994, North Korea ordered the international inspectors to leave and began preparations to reprocess their reactor fuel, which would have given them enough weapons-grade plutonium to make a half-a-dozen nuclear bombs. I was secretary of defense at that time, and I publicly warned North Korea that the United States considered the making of plutonium to be a red line.

I then requested that the Joint Chiefs prepare a contingency plan for conducting a strike on the nuclear facility Yongbyon, using conventionally armed, precision-guided missiles, and I directed preparations to augment our deployment in Korea with tens of thousands of troops. I was literally in the cabinet room briefing President Clinton on the reinforcement plan when the call came from Pyongyang that Kim Il Sung was ready to freeze activities at Yongbyon and begin serious negotiations.

So, in the end, that crisis was resolved not by war but by a diplomatic agreement known as the "Agreed Framework." The Agreed Framework called for North Korea to continue indefinitely the freeze at Yongbyon, to be followed in time by the dismantlement of those facilities. South Korea and Japan agreed to build new, commercial, light-water reactors for North Korea and the United States agreed to supply fuel oil to North Korea until the light-water reactors were completed.

In 1998, we appeared to be headed for another crisis like the one in 1994. North Korea had begun the deployment of medium-range, ballistic missiles that could target Japan and the design of two long-range missiles that could target parts of the United States. Our concern over these programs came to a head in August 1998, when North Korea flew an ICBM over Japan, landing in the Pacific west of Hawaii. In response, President Clinton established a sweeping review of our North Korea policy, which he asked me to head. I was, by this time, out of government and back at Stanford University.

The key finding of that review was that North Korea was undergoing terrible economic hardship, including widespread famine, but these hardships were unlikely to cause the regime to be overthrown. Therefore, I said, we had to deal with the North Korean regime as it was, not as we would wish it to be.

In dealing with North Korea, I recommended two alternative strategies. If North Korea would forego its long-range missile program and nuclear weapons program, the allies would move to a comprehensive normalization of relations. Alternatively, if North Korea did not remove the threat, the allies agreed to take necessary actions to contain that threat.

In May 1999, I led an American delegation to Pyongyang to present those alternatives to the North Koreans, with the full backing of the Japanese and South Korean Governments. That meeting

was followed by substantial evidence of a general thawing under-way, including the first-ever summit meetings between North and South Korea. Kim Jong Il sent a senior emissary, Marshall Jo, to Washington, where he met with President Clinton. On his way to Washington, Marshall Jo stopped off at Stanford to consult with me about his upcoming meeting with the President. Based on my discussions with Marshall Jo, I believed that the United States was very near to the desired agreement with North Korea.

But at that critical junction, the Bush administration took office. Engagement with North Korea was broken off, and for 1½ years there was neither a dialogue nor a new policy. Whatever policy might have originated was preempted by the discovery, in 2002, that North Korea had undertaken to covertly start another nuclear program based on highly enriched uranium.

As this new crisis unfolded, Dr. Carter and I wrote an op-ed piece urging the administration to deal with this emerging uranium program but not to abort the Agreed Framework. The Agreed Framework, in its 8 years of operations, had, in fact, kept the North Koreans from building 50 to 100 nuclear weapons.

Nevertheless, the Bush administration cut off the fuel oil they had been supplying under the Agreed Framework and persuaded Japan and South Korea to stop work on the reactor. North Korea, in response to this cutoff, declared the Agreed Framework terminated, ejected the inspectors at Yongbyon, reopened their reactor, and announced they were starting to reprocess the fuel rods.

The United States, which had, in 1994, made reprocessing a “red line,” chose not to establish any red lines this time, and the reprocessing proceeded. During this period, China became increasingly concerned and pressured North Korea to participate in multilateral meetings in Beijing.

The first three Six-Party meetings made no apparent progress. The fourth meeting, held on September 5th with a new negotiator, Ambassador Chris Hill, resulted in an understanding that entailed North Korea giving up their nuclear weapons and the United States pledging not to initiate military force to overthrow the North Korea regime. All sides agreed that North Korea was entitled to have a peaceful nuclear program.

But the day after the meeting concluded, first, Washington and then Pyongyang backed off from an essential part of the agreement. In the meantime, the North Korean nuclear program moved ahead at full speed, and it is clear that North Korea is well embarked on building a sizable nuclear arsenal.

Given this background, the report, in June 2006, that North Korea was preparing to test an ICBM was particularly ominous. At that point, Dr. Carter and I wrote another op-ed piece recommending that the administration tell the North Koreans to take their ICBM off the launch pad and return it to the storage area, or the United States would destroy it.

Instead, the administration responded to North Korean preparations with a press statement that they would consider the launch of an ICBM as “unacceptable.” North Korea launched the ICBM. To add insult to injury, they launched it on the Fourth of July and added to their fireworks display the launch of four medium-range

missiles. The administration then released another press statement deploring the action.

Late in September, we saw activity underway in North Korea indicating that a nuclear test was in preparation. The administration again warned that such a test would be “unacceptable.” On 6 October, North Korea conducted the test.

Shortly after the nuclear test, I wrote another op-ed. I pointed out that because of past inactions on the part of the United States and the international community, there were no attractive options left for stopping North Korea from having a meaningful nuclear capability, but we could still formulate a strategy whose minimum objective is to keep the problem from getting worse, with a primary focus on two future dangers.

The first danger is that North Korea will sell some of their bombs or plutonium to a third party. The Proliferation Security Initiative, designed to prevent the illegal transfer of nuclear material, is a good program, but we should never believe that it has a high probability of preventing an experienced smuggler like North Korea from transferring enough plutonium to make a nuclear bomb. That plutonium would be about the size of a grapefruit.

The United States should issue a statement warning North Korea of the grave consequences to North Korea if a North Korean bomb is detonated in the United States, Japan, or South Korea, whether the bomb is delivered by North Korea or by a third party. That statement should be as unambiguous as the one President Kennedy made at the time of the Cuban missile crisis, and I would invite you to go back to your news accounts to read that statement.

The second danger is that North Korea will finish work on their large reactor, which would give them the capability of making about 10 nuclear bombs a year. We should be prepared to exercise coercive diplomacy to keep that from happening. The United States should return to the negotiating table with a viable negotiating strategy which includes a credible, coercive element and which includes significant buy-in from the other interested parties.

The most feasible form of coercion, or sticks, could come from the Chinese and the South Koreans, who could threaten to cut off their supply of grain and fuel oil if North Korea does not stop work on the large reactor. That alternative has always been resisted by China and South Korea, but the danger of a North Korean nuclear program should, by now, be obvious to them.

An additional inducement for China and South Korea would be the concern that if they did not provide the coercion, the United States might take the only meaningful course of action available to it, which is destroying the reactor before it could come on line. This, of course, is a dangerous alternative, but, in fact, we have reached the stage where there are no alternatives left that are not dangerous, and allowing North Korea to move ahead with their robust program, building 10 nuclear bombs a year, could prove to be even more dangerous.

The press reports that bilateral discussions may be underway between the United States and North Korea pointed to a new understanding about stopping the North Korea nuclear program. One can hope that these talks will be successful, and I, for one, have great confidence in the ability of our negotiator, Ambassador Chris

Hill. But if not, the United States should be prepared to rally the concerned regional powers to cooperate in applying meaningful coercive diplomacy.

If we are creative and energetic in applying our diplomacy, we can still contain this danger, and if we do, our children and our grandchildren will thank us.

[The prepared statement of Mr. Perry follows:]

PREPARED STATEMENT OF THE HONORABLE WILLIAM PERRY, SENIOR FELLOW AT THE
HOOVER INSTITUTION, FORMER SECRETARY OF DEFENSE

In September of last year the North Koreans conducted a test of an atomic bomb. This test, the culmination of six years of failed diplomacy with North Korea, poses a serious threat to the United States and to our allies in the region. My testimony today will discuss the North Korean nuclear program by asking three related questions:

Why should we care?

How did they get there?

What should we do about it?

We should care not because North Korea is going to put its bombs in missile warheads and fire them at us. They are still far from having that capability, and even if they get it, deterrence would still be effective. The North Korean regime is not seeking to commit suicide.

We should care because a North Korean nuclear program can stimulate a nuclear arms race in the Pacific, with a host of dangerous consequences. We should care because if North Korea proceeds unchecked, there will be very little chance of stopping Iran. And we should care because a Korean or Iranian bomb could end up in the hands of a terror group who in turn could detonate it in one of our cities.

North Korea has been working to achieve a nuclear weapon program for more than twenty years. And the United States has been working that same period of time to contain or delay that program. The first part of my testimony will explain how their actions and our counteractions have played out these past twenty years. I will organize this discussion around what I call the five nuclear crises, which curiously enough have occurred in four-year intervals coinciding with America's off-year elections: 1990, 1994, 1998, 2002, and 2006.

The first crisis had its roots in the 1960s, when the Soviet Union provided North Korea a research reactor and some training for Korean engineers. As the Koreans became more proficient at this new technology, Kim Il Sung apparently decided to use it to make a North Korean nuclear bomb. During the 70s, he asked in turn the Russians and the Chinese to help him do this, but was turned down by both. Apparently he concluded that North Korea would have to get its bomb the hard way and the slow way, through its own efforts. In 1989, American satellites saw evidence that this effort was reaching fruition. They detected a large facility in an advanced state of construction near the town of Yongbyon, and correctly concluded that this was a nuclear bomb program underway. The first Bush administration appealed to the Russians to pressure the North Koreans to join the NPT and submit their nuclear facilities to international inspection. But there was no real progress until the American government pulled its tactical nuclear weapons out of Korea in 1991.

Within a few months of that action, the governments of North Korea and South Korea agreed to maintain the Peninsula free of nuclear weapons. And North Korea agreed to submit to international inspection. But they delayed the acceptance of inspectors long enough to reprocess the spent fuel from the reactor. When the inspectors did arrive, they made a quite thorough inspection and concluded from forensic evidence that North Korea had made more plutonium than the small amount they had declared. So the result of the 1990 crisis was a freezing of the North Korean nuclear production, but this freeze did not occur until they had produced a small amount of plutonium, probably enough to make one nuclear bomb.

In 1994, we came close to a second Korean War over North Korea's nuclear weapons program. In May of 1994, as the Yongbyon reactor completed its fuel cycle, the North Koreans announced that they were withdrawing from the NPT, and ordered the international inspectors to leave. They then began preparations to reprocess the fuel, which would have given them enough weapons-grade plutonium to make about a half-dozen nuclear bombs. The United States, Japan, and South Korea announced their intention to impose severe sanctions if North Korea made the plutonium. But North Korea said that they would consider the imposition of these sanctions as an act of war, and proclaimed that they would turn Seoul into a "sea of flames." Some

said this was only rhetoric, but as the secretary of defense at the time, I had to take North Korea's threats seriously. So I warned North Korea that the United States considered the making of plutonium to be a "red line," and that if they began reprocessing they faced military action from the United States. I then requested that the Joint Chiefs prepare a contingency plan for conducting a strike on the nuclear facilities at Yongbyon, using conventionally-armed cruise missiles. But I put that plan far to the back of the table to be brought forward only in the event of failure of the diplomacy then underway, the coercive element of which was a very severe sanction program. In the meantime, I undertook a detailed review of our contingency plans for responding to a North Korean attack. This review indicated that, while the allies would achieve a decisive victory, there would be very high casualties on all sides. It was also clear that we could significantly reduce casualties by reinforcing our troops in Korea before hostilities began, so I directed preparations to augment our deployment in Korea with tens of thousands of troops. This is the only time during my tenure that we came close to a major war, but at that moment, we were very close. Indeed, I was literally in the Cabinet room briefing President Clinton on the reinforcement plan when the call came from Pyongyang that Kim Il Sung was ready to freeze activities at Yongbyon and begin serious negotiations.

So, in the end, that crisis was resolved not by war, but by a diplomatic agreement known as the Agreed Framework, negotiated for the United States by Ambassador Gallucci. The Agreed Framework called for North Korea to continue indefinitely the freeze at Yongbyon, to be followed in time by the dismantlement of those facilities. And it called for South Korea and Japan to build new commercial light water reactors for North Korea, and the United States to supply fuel oil to North Korea until the light-water reactors were completed. The agreement envisaged that the North Koreans would not have the capability to reprocess the spent fuel from their light-water reactor, and would have to send the spent fuel out of the country for reprocessing, so that the reactor could not be used for making weapon grade plutonium. With these safeguards, Japan and South Korea agreed to build the light-water reactor, and the Americans agreed to supply fuel oil to North Korea to compensate for the loss of electricity entailed by the shutdown of the reactor at Yongbyon.

From 1994 until 2002 the facilities at Yongbyon remained frozen. That result was critical for security on the Peninsula, since during those eight years these facilities could have produced enough plutonium to make perhaps fifty to a hundred nuclear bombs. The dismantlement of Yongbyon was not called for until construction of the light-water reactor was completed, and that was still a few years away in 2002. Therefore production of plutonium could have been restarted in a few months if the Agreed Framework were terminated. So we always understood that the crisis had been postponed, not resolved.

In 1998 we appeared to be headed for another crisis like the one in '94. North Korea had built a large number of underground facilities that we assessed were for military applications. Particular concern was expressed over the facility under construction near the small town of Kumchang Ni, because this facility was large enough to house a reactor and processor like the ones at Yongbyon. We feared that this was evidence that the North Koreans intended to cheat on the Agreed Framework. At the same time, North Korea had begun the serial production and deployment of medium-range ballistic missiles. Additionally, they had undertaken the design of two long-range missiles, the Taepo Dong 1 and Taepo Dong 2. The two long-range missiles could reach targets in parts of the United States, as well as all of Japan. This missile program again raised a serious concern about North Korea's nuclear aspirations, since an ICBM makes no military logic without a nuclear warhead. This concern came to a head in August, 1998, when North Korea flew a Taepo Dong over Japan, landing in the Pacific West of Hawaii. This test firing led to calls in the Congress and the Diet for a termination of the funding which supported the Agreed Framework. But if the Agreed Framework were to be aborted, there was no doubt that North Korea would respond with a reopening of the nuclear facility at Yongbyon. And this in turn would put North Korea in the position of producing the plutonium that would allow them to put nuclear warheads on their missiles. During this turbulent and dangerous period President Clinton established an outside Policy Review, which he asked me to head. After an intensive review, done jointly with South Korea and Japan, and coordinated with Russia and China, I submitted our conclusions and recommendations.

The key finding was that North Korea was undergoing terrible economic hardship, including widespread famine—BUT that those hardships were unlikely to cause the regime to be overthrown. Therefore we had to deal with the North Korean regime as it was, not as we would wish it to be. In dealing with North Korea, I recommended that the allies should establish two alternative strategies. If North Korea would forego its long-range missile program as well as its nuclear weapons program,

the allies would move step-by-step to a comprehensive normalization of political and economic relations, including the establishment of a permanent peace. Alternatively, if North Korea did not demonstrate by their actions that they were willing to remove the threat, the allies agreed to take necessary actions to contain the threat.

In May of 1999 I led an American delegation to Pyongyang to present those alternatives to the North Koreans, with the full backing of the Japanese and South Korean governments. During the talks, it was clear that North Korea was seriously interested in the positive alternative. They saw that this would open the path to economic development in North Korea, which they desperately needed. But they feared that the communication entailed in economic contact with the outside world would put at risk the closed society that has kept their regime in undisputed control of North Korea. So when our delegation left Pyongyang, we were not sure how North Korea would respond.

But within a few months, we saw substantial evidence of a general thawing underway. South Korea and Japan each held first-ever summit meetings with North Korea. Kim Jong Il made a visit to the Shanghai Stock Exchange. Secretary Albright made an official visit to Pyongyang, where she met with North Korean senior officials, and invited Kim Jong Il to come to Washington. Kim Jong Il responded to that invitation by sending a senior emissary, Marshall Jo, to Washington, where he met with President Clinton. On his way to Washington, Marshall Jo stopped off at Stanford to consult with me about his upcoming meeting with the president. Based on my discussions with Marshall Jo, I believed that the United States was within a few months of getting the desired agreement from North Korea.

But at that critical junction, the Bush administration took office in the United States. Two months after the inauguration, President Kim Dae Jung visited Washington for a confirmation that this engagement policy would continue. On his arrival, Secretary Powell vowed to continue the North Korea policy set by President Clinton. But the next day, when President Bush met with President Kim, Bush disowned the Clinton policy and said he would create a new policy. Engagement with North Korea was broken off, and for one and a half years, there was neither a dialog nor a new policy. Whatever policy might have originated was preempted by the discovery in 2002 that North Korea had undertaken to covertly start another nuclear program. And so began the fourth nuclear crisis with North Korea.

The new program, at a covert location separate from Yongbyon, was based on highly-enriched uranium instead of plutonium. In September 2002, Assistant Secretary Kelly went to Pyongyang and confronted the North with our findings. They at first denied the existence of the uranium program, then became defiant and said that it was necessary because of our hostile attitude.

As this new crisis unfolded, Dr. Carter and I wrote an op-ed piece urging the administration to deal with this emerging program in uranium, but not to abort the Agreed Framework, since this would allow the North Koreans to restart their plutonium program, which was far more dangerous and certainly more imminent than the new Uranium program. Nevertheless, a few months after Kelly's visit to Pyongyang, the Bush administration cut off the fuel oil they had been supplying under the Agreed Framework, and persuaded Japan and South Korea to stop work on the reactor called for under the Agreed Framework. North Korea, in response to this cutoff, ejected the inspectors at Yongbyon, reopened their reactor, and announced they were starting to reprocess the fuel rods.

The United States, which had in 1994 made reprocessing a "red line," chose not to establish any red lines and the reprocessing proceeded. For the next nine months the United States and North Korea were at an essential standoff, with no real dialog and with North Korea continuing to operate their facilities at Yongbyon. During this period, China became increasingly concerned and pressured North Korea to participate in multilateral meetings. As a result, there have been five meetings in Beijing, the last four involving six parties (United States, North Korea, China, Russia, Japan, and South Korea). The first three meetings in Beijing, all in the first term of the Bush administration, made no apparent progress. The fourth meeting, held in September 2005 by our new negotiator, Ambassador Chris Hill, resulted in an understanding.

The essence of the understanding was: North Korea said that they were prepared to give up their nuclear weapons; The United States said that it was prepared to pledge not to initiate military force to overthrow the North Korean regime; and All sides agreed that North Korea was entitled to have a peaceful nuclear program. But the day after the meeting concluded, there were conflicting reports from Pyongyang and Washington as to what the third component of the understanding really said. Washington said that full disarmament had to be the first step; only then would they "consider" North Korea's request for a light-water reactor. Pyongyang says that

the light-water reactor must be agreed to before any disarmament begins. Thus there was a fundamental misunderstanding about the “understanding.”

In the meantime, the North Korean nuclear program moved ahead at full speed. Unlike the faulty intelligence information the United States had on Iraq before the Iraq War, we had substantial and solid information about North Korea’s plutonium-based weapon program. My assessment of their status as of last June was as follows:

- It was certain that they had the fuel for making about 8 nuclear bombs;
- It was highly probable that this fuel had been reprocessed to make plutonium;
- It was highly probable that the resulting plutonium had already been used to make some or all of the bombs;
- It was likely that North Korea would conduct tests with some of these bombs; and
- It was certain that North Korea had restarted their research reactor at Yongbyon to produce more plutonium.

We had much less confidence in information about their uranium-based weapon program: American government officials have said that North Korea has a covert weapons program based on highly-enriched uranium. North Korea says they do not. A Pakistani scientist says that he gave technology and materials to North Korea for a highly-enriched uranium program. Libya reports that they have bought material and equipment for a highly-enriched uranium program from North Korea. A reasonable conclusion was that North Korea did have a highly-enriched uranium program, but that it was probably not close to production.

In sum, the evidence in June was strong that North Korea was well embarked in building a sizable nuclear arsenal. Given this background, the report in late June that North Korea was preparing to test an ICBM was particularly ominous. Dr. Carter and I were sufficiently concerned that we wrote an op-ed piece for the Washington Post. Our op-ed recommended that the United States take a very hard line with the North Koreans, telling them to take the ICBM off the launch pad and return it to their storage area or the United States would destroy it. Of course, we did not really want to have to carry out such an attack. We hoped that the op-ed would cause the parties involved to realize how serious the situation had become. That it would stimulate China to get serious about real pressure on North Korea; that it would stimulate North Korea to stop playing at brinksmanship; and that it would stimulate the United States to get serious about negotiating with North Korea. Instead the administration responded to the North Korean preparations with a press statement that they would consider the launch of an ICBM as “unacceptable.” North Korea launched the ICBM. To add insult to injury, they launched it on the 4th of July, and added to their fireworks display the launch of 4 medium-range missiles. The administration then released another press statement deploring the action. And so the fifth nuclear crisis began in 2006, right on schedule.

Late in September we saw activity underway in North Korea indicating that a nuclear test was in preparation. The administration again warned that such a test would be unacceptable. The Chinese government sent an envoy to North Korea to urge them not to conduct the test. The United Nations released a resolution demanding that North Korea not conduct the test.

On 6 October, North Korea conducted a nuclear bomb test. It was low yield, so it is reasonable to conclude that it was not a complete success, but it was a nuclear bomb, fueled by plutonium. On the basis of that test and certain other information, I revised my estimate of North Korea’s nuclear capability. My October estimate is similar to the estimate I made in June, except that the word “likely” is replaced by the word “certain.” Shortly after the nuclear test I wrote another op-ed for the Washington Post. I pointed out that because of past inactions on the part of the United States and the international community, there were no attractive options left for stopping North Korea from having a meaningful nuclear capability.

In sum, I believe that we are in a very deep hole today with North Korea. So how should we proceed—is there a way we can dig out of that hole? Of course we would like North Korea to roll back their entire program, but it will be very hard to get North Korea to give up a capability they already have. But we should be able to formulate a strategy whose minimum objective it to keep the problem from getting worse, with a primary focus on two future dangers.

The first danger is that North Korea will sell some of their bombs or plutonium to a third party. The administration established some years ago an international initiative (Proliferation Security Initiative) designed to prevent the illegal transfer of nuclear material. This is a good program, but we should never believe that it has a high probability of preventing an experienced smuggler like North Korea from transferring enough plutonium to make a bomb, which is about the size of a grapefruit. To deal with the danger of selling nuclear material, the United States should issue a statement warning North Korea of the grave consequences to North Korea

if a North Korean bomb is detonated in the United States, Japan, or South Korea, whether the bomb is delivered by North Korea or a third party. The statement should be as unambiguous as the one Kennedy made at the time of the Cuban missile crisis.

The second danger is that North Korea will finish work on their large reactor, which would give them the capability of making about 10 nuclear bombs a year. We should be prepared to take coercive actions to keep that from happening. The best venue for coercive diplomacy would be the 6-party talks. But we have spent more than three years in those talks with no results, so the talks are a necessary but not a sufficient condition for success. Indeed, the most recent 6-party talks were held last month with no apparent progress.

The United States should go back to these talks with a viable negotiating strategy, which includes a credible coercive element, and which includes significant buy-in from the other parties. The most feasible form of coercion could come from the Chinese and South Koreans, who could threaten to cut off their supply of grain and fuel oil if North Korea does not stop work on the large reactor. This alternative has always been resisted by China and South Korea. But the danger of the North Korean nuclear program is by now obvious to them and they should now be willing to join the United States in a concerted diplomatic initiative. An additional inducement for China and South Korea would be the concern that if they did not provide the coercion, the United States might take the only meaningful coercive action available to it—destroying the reactor before it could come on line.

Clearly, this is a dangerous alternative. If China and South Korea do not agree to applying coercion, the United States may be forced to military action which, while it certainly would be successful, could lead to dangerous unintended consequences. But in fact there are no alternatives left that are not dangerous. And allowing North Korea to move ahead with a robust program that is building ten nuclear bombs a year could prove to be even more dangerous than exercising coercive diplomacy. We desperately need to get serious negotiations underway with North Korea. And all of our negotiating experience with North Korea tells us that success depends on the diplomacy being backed with a credible threat of force.

If the United States and the concerned regional powers prove to be willing to cooperate in applying meaningful coercive diplomacy, we still could contain this danger. And if we did, our children and our grandchildren would thank us.

Chairman LANTOS. Thank you very much, Secretary Perry.
Ambassador Lilley.

STATEMENT OF THE HONORABLE JAMES LILLEY, FORMER UNITED STATES AMBASSADOR TO SOUTH KOREA

Mr. LILLEY. Thank you. I am going to take a slightly different tack on this. If you have North Korea, with one-thirtieth of the economic strength of South Korea and half the population, and if that state is surrounded by three successful powers, economically and militarily, Japan, South Korea, and China, and if we are backing them, it seems to me that the tides of history are on our side, not on theirs, and it seems to me, too, that over the past 10 years, we have been working hard to get cohesion with our friends and allies in the area to bring effective pressure to bear on North Korea to change its behavior.

What do I mean by that? Well, first of all, Sun Tzu, the old Chinese strategist, said, "If you get involved with one of these things, know your enemy, know your opposite number." What is North Korea up to, in stark terms? Survive, remain in power, keep an iron grip on the people, and we know from high defector reports that Kim Jong Il is a control freak, number one.

Number two, he is trying to help win an election for himself by backing the ruling party in South Korea and a possible trip by Kim Jong Il to South Korea to buoy up the existing party. So far, that has backfired on him in South Korea.

He wants to exploit what they perceive as widespread anti-Americanism. They are attempting to exploit U.S./ROK differences, and they are going to play the nationalist theme. That is obvious. We know that.

I think they are also going to try to get former President Clinton to North Korea after the United States 2008 elections and try to get back to the two light-water reactors and food and oil, the 500,000 tons of heavy oil a year and perhaps several hundred million dollars of food aid, largely unmonitored.

They are going to make enough short-term concessions to keep food, energy, money coming in, principally from South Korea and China. They are going to try to split five-power cohesion, pointing the finger at United States as the cause of tension.

The trend of policy in North Korea has evolved from a massive military intervention in 1950, through frequent terrorist threats and actions, to its current strategy. What have they tried to do in the past? Let us look at it briefly.

In 1968, they tried to send a team in to assassinate President Park Chung-hi. It failed. In the 1970s, they built tunnels under the DMZ. They failed. In 1983, they tried to kill the South Korean cabinet in Rangoon. Half of them got killed; half of them did not. In the 1990s, they started their submarine infiltrations into the South, and their first submarine hit a reef. The infiltration team fled onto shore, and all committed suicide. My friend in the Center of Naval Analysis said, "Bad seamanship, strong morale."

Now, a tactical change is taking place with this focus on weapons of mass destruction. Their threat of proliferation is a more effective means to survive but still is single-minded on their part. It is quite clear they are going to try to keep their nuclear weapons, to the extent they can.

They have, however, been forced into ostensible economic reforms, and we note that, in their New Year's address this year, 2007, they stress economic first over their fascination with putting the military first. This has led to unexpected consequences for them: The flourishing of the Gaesong Industrial Zone, with a number of Korean companies pushing in there, hiring North Korean labor, setting up factories, expanding their presence, expanding into the whole area. We know for a fact, and I know this certainly personally, that this is the way China changed economically. It is starting in North Korea.

Inchon Airport, if you have been there, Mr. Chairman, I am sure, it is one of the best airports in the world. It makes JFK look like something in Indonesia in 1957. It is there sitting right next to the border, the DMZ. It is obviously a force of history. If you have gone through that North Korean airport, Pyongyang, it could fit into one-fiftieth of the Inchon airport. That is a trend.

You see increasing Chinese trade relations in North Korea. They are all over the place, businesses flowing in. They are setting up a glass factory. They are everywhere. It is increasing, much to South Korea's concern, and we also see growing consumer goods availability in North Korea for the elite class.

Going into the other powers, we all know that a fragile but aggressive North Korea, if it implodes, has negative consequences for its neighbors. I think this is particularly appreciated in Peking.

Millions of refugees flowing into Russia, South Korea, and China are going to cause great consternation all over the area.

A unified Korea, under Seoul, allied with the United States is a nightmare for China, certainly. To have these horrible warlords—Kim Jong Il is one thing—those stone-faced men that sit there with medals from their neck to their groin, if they get their hands on nukes, you have got a real problem.

But you have to realize, in dealing with this problem, that China has long, intimate, intense relationships with the Korean Peninsula including North Korea. One instance—I think we should pay attention to this because it is talked about as the “Northeast Project” in China. They have laid claim to the entire North Korean part of the peninsula, through what they say is Koguryo Dynasty discussions as part of China, debate. South Korea says, no such thing; that is our Korean dynasty.

The South Koreans know, and we who follow China know, that it is allegory and it made a lot of sense in the Cultural Revolution and other times, that when they start using allegories, pay attention because what they are saying is that this territory, by definition, belongs to us: [A] if you collapse, we move in, with justification. That really is a shot across the bow.

Chinese involvement in the Imjin defeat in 1596 of the Japanese invasion by Hideyoshi; the Chinese helped the South Koreans do it. The role of China in suppressing dissent on the Korean peninsula; they certainly did that, too, in the Tonghak rebellion. And China rescued North Korea in 1950. MacArthur had knocked them flat on their back. They were finished. Kim Il Sung was sitting up there on a mountain top with his medals on, trying to give orders. Nobody paid any attention to him. China came in and bailed them out. North Korea has not shown one ounce of gratitude for this.

China tried to help set up free trade zones in North Korea, in Sinuiju up on their border, and they moved it down to Gaesong, and the Chinese, I think, breathed a tremendous sigh of relief because Chinese Premier Zhu Rongji had gone to Kim Il Sung and said, Do not put it here. The Chinese knew very clearly who the North Koreans were going to pick: Yang Bin, who is in a Chinese jail for 17 years on corruption. In Sinuiju it would turn out to be a center of prostitution, drugs, counterfeiting, everything else, and China helped push it over to Gaesong.

I do give you here two, I would say, illustrative examples of differing authoritative opinions in China. One, Shen Dingli comes out and says, North Korea is an essential buffer zone to China, and we need it to offset the Americans if there is a crisis in the Taiwan Strait. He says that right out.

The second Chinese, Zhu Feng, comes in and says, It is far less of a strategic buffer zone than it was in the past. If sanctions do not move North Korea, China will use a variety of means to accomplish this goal, including coercive diplomacy and perhaps, ultimately, regime transformation.

All I am saying is, in China, and I found this out when I was there in 2004, there is a propagandistic level where they talk, and this is very depressing to hear, the problems in the Korean peninsula started with American involvement in the Korean Civil War, and goes downhill from that.

If you get to the second level, you hear people talking very frankly about North Korea. Americans, you do not lecture us on it. We know better than you what they are like.

And, third, if you talk to some of the military people, you get a sense that they will not stand still for a North Korea really trying to create instability by going to the missile and nuclear business in a series of tests.

I would like to point out to you that, given the North Korean intentions, the Six-Party Talks are a nightmare for them. They have in fact provoked the increasing cooperation among the other five powers, especially after their nuclear and missile tests, and the U.N. resolutions, with Chinese and Russian support. This was never done before, this was the first time. China has moved troops to the North Korean border. They have inspected vehicles going to North Korea. They have shut down some of the North Korean bank accounts. That is just the beginning of what they have done.

South Korea has suspended fertilizer and food shipments. The revenue from the Macau bank is suspended, which hits the North Korean elites. We are trying to stop, of course, the narcotics and counterfeiting. And ASEAN has kicked in again, telling North Korea—this is the Association of Southeast Asian Nations—to stop the nuclear program, and even Vietnam, where the South Koreans worked with us in the Vietnam War, has come in and started to put sanctions on North Korean banks.

The above actions lead to a loss of face and sustenance in North Korea. They have turned, as you pointed out, to a highly enriched uranium program. We have put restrictions on the Macau bank. But we know the North Koreans' reaction to these actions. We cannot be jerked around by what they are doing.

The latest speeches they make, what they are building and their nuclear weapons; these are important, but we cannot let them take the initiative on this. They will resort to their standard practice of signing agreements, then adding conditions, and then blaming the other side for the breakdown. This is standard. We have looked at their negotiating tactics for 50 years. That is the way they act, no surprise.

North Korea is also seeking to find fellow travelers: United Front work. Support and create a new generation of Korean-oriented Edgar Snows to explain to the West what North Korea really is, and most of it is bunk.

But I still insist, the accumulation experiences and attitudes indicate that the North Korean extreme, sudden violence has been curtailed and that economic reform is eating into their system. They are beginning to pay a price right now for their behavior, and it is hurting them. One tendency is to go all the way and force our hand by carrying out the nuclear tests. The other one is react to this accumulation of pressures and leverage on them.

I think it is very important that the United States be careful in what it says on this issue because we never want to get on the wrong side of the unification issue. I have had this argument many times with the South Koreans. They said that Rusk and Bonesteel divided Korea at the 38th parallel in 1945, and that was the essence of the problem. I pointed out that many, many Americans died in 1950 trying to unify that country. The conversation stopped.

But I think, basically, there is a trade-off among the powers now in terms of what we are trying to get done in North Korea. Counterproliferation. As Secretary Perry points out, this is our number one concern, that they put those weapons in the hands of the crazies, al-Qaeda, et cetera.

What we have to do is to get our friends and allies, and the Chinese have come along two-thirds of the way on this, and the South Koreans perhaps half, to work with us to stop proliferation in the Proliferation Security Initiative, but also in other ways: Inspecting their cargoes, alerting people on intelligence if we get a tip off, boarding the ships if you have to, checking them as they go through China, in air and land. I think we have got this moving.

But the purpose in all of this would be to allow South Korea and China the opportunity to carry out what they might consider the transformation of the regime through policies which they believe can lead to economic influence and seduction of the North Korean state; ergo, they are looking for more time; we are looking for immediate action. That is a negotiator's challenge, and we have come a long way in pulling together on this thing and beginning to get countries to work together.

I think our indications are that we are going to try to transform the policies, if not the system, while recognizing that North Korea will fight relentlessly to get the goods but keep our contamination out and stage spectacles to grab world attention. We find this to be true, but we also find to be true, if you examine the track record of what the North Koreans did under Kim Il Sung and what they did under Kim Jong Il, there is a difference.

They tend to be somewhat more cautious now, in terms of what they do. Kim Il Sung would shoot down a KC-135. He would seize the PUEBLO. He would carry out axe murders in the DMZ in 1976. He would do these things.

You find a hesitation now to get involved that deeply. Kim Jong Il does not seem ready to take those chances, and I think it is the accumulation of pressures on him, where he knows that he is going to be forced to give his people a better deal.

Finally, I will just indulge myself in quoting one of the great passages in the Bible, John 8:32: "And you shall know the truth and the truth shall make you free." It is emblazoned on the wall of the CIA, where I worked for a number of years, and I wish they took it more literally.

The North Korean version of this is keep the truth out, and you can survive unfree. Thank you.

[The prepared statement of Mr. Lilley follows:]

*United States House of Representatives
Committee on Foreign Affairs*

The Honorable James R. Lilley
Testimony
January 18, 2007

- Robert Kaplan on Herodotus
 - o Herodotus illustrates how self-interest is calculated within a disfiguring whirlwind, and how deeply humans believe for the sake of survival.
- “Do not snatch defeat from the jaws of victory” – Anonymous
- I am not addressing breakthroughs, turning points, or starting a blame game
- I try to discuss history, trends, cross currents, and possible outcomes. What are the players up to?

I. NORTH KOREA

- a. Trying to:
 - i. Survive, remain in power, keep an iron grip on people. Kim Jong-il is a control freak.
 - ii. Help win an election by the ruling party in South Korea this year. Possible Kim Jong-il trip to Seoul.
 - iii. Exploit what they perceive as widespread anti-Americanism – play nationalist theme in South Korea. They are attempting to exploit US/ROK differences
 - iv. Get former President Clinton to North Korea after U.S. 2008 elections – try to get back light water reactors, food and oil as in 1990s.
 - v. Make enough short term concessions to keep food, energy, money coming in, principally from South Korea and China.
 - vi. Split 5 power cohesion – point finger at U.S. as cause of tension.

- b. Trend of policy in North Korea has evolved from massive invasion of 1950 through terrorist threats and actions to current strategy.
 - i. 1968: assassinate attempt on ROK President Park, seizure of USS Pueblo
 - ii. 1970s: infiltration tunnels under DMZ
 - iii. 1983: kill members of ROK cabinet in Rangoon
 - iv. 1987: blow up South Korean Airliner, get caught
 - v. 1990s: Submarine infiltrations
 - vi. Now, tactical change taking place: focus on WMD.
 - 1. Threat of proliferation a more effective means to survive, but still single-minded, cunning and ruthless, more bravado.
 - 2. Ostensible economic reforms of 2002
 - 3. Has led to Gaesong Industrial Zone plus proposed link-up of transportation systems north and south.
 - 4. Incheon Airport near North/South border DMZ – most modern hub.
 - 5. Increasing Chinese trade relations outside NK central planning
 - 6. Growing consumer goods availability for elite class
- II. OTHER POWERS
- a. Fragile but aggressive NK has negative consequences for neighbors
 - i. Millions of refugees from collapsing state
 - ii. A unified Korea under Seoul allied to U.S.
 - iii. North Korean warlords seizure of WMD
 - b. China has long and intimate history with Korea
 - i. 600-900 AD: Chinese Tang Dynasty aids Shilla in South to overthrow Koguryo in North (a contemporary argument)
 - ii. China involvement in Imjin defeat of Japan in late 16th century AD
 - iii. Role of China in suppressing Tonghak rebels in late 19th century

- iv. China involvement and rescue of North Korea in 1950s
- v. China abortive support for Sinuiju Trade Zone in 20th century
- vi. Chinese authoritative and diverging comments on North Korea
 - 1. *Shen Dingli* (Fudan University): North Korea is strategically significant for China, in that it reduces the military pressure China faces from US in the contingency of Taiwan independence. It serves as a strategic buffer zone in NE Asia.
 - 2. *Zhu Feng* (CSIS, Peking University): NK is now considered far less of a vital strategic buffer zone than it was in the past. If Sanctions cannot move NK, China will use a variety of means to accomplish this goal, including coercive diplomacy and perhaps ultimately regime transformation.

III. Processes:

- a. 6 Party Talks are a nightmare for NK, increasing cooperation among 5 other powers, especially after the NK nuclear and missile tests
 - i. UN resolutions passed with Chinese and Russian support – never done before.
 - ii. Japanese and US crackdowns
 - iii. China moves troops to border, inspects vehicles, shuts down some NK bank accounts
 - iv. South Korea suspends fertilizer and food shipments
 - v. Revenue from Macao Bank suspended, which hits NK elites. We try to stop narcotics and counterfeiting by NK
 - vi. ASEAN just appealed to NK to stop nuclear problem.
 - vii. Vietnam acts against NK bank accounts
- b. Above actions lead to loss of face and sustenance – HEU, Macao bank restrictions

- c. NK resorts to standard practice of signing agreement, then adding conditions and blaming the other side for breakdown
 - d. NK also seeks fellow travelers, united front support. They're trying to win converts – perhaps a new generation of Korean-oriented Edgar Snows emerges
 - e. BUT: accumulation of experiences and attitudes indicate that NK extreme sudden violence curtailed and that economic reform is eating into their system
- IV. POSSIBLE OUTCOMES:
- a. First, the US must never get on the wrong side of the unification question. There is a basic trade off among the 5 powers:
 - i. Counterproliferation – joint measures such as PSI in return for U.S. toleration of extended timetable for economic influence and seduction
 - ii. Purpose is to transform policies if not system of NK while recognizing that they will fight relentlessly to get the goods but keep contamination out and stage spectacles to grab attention
 - b. Finally: John 8:32. “And you shall know the truth and the truth shall make you free.” NK version: Keep the truth out and you can survive unfree.

Chairman LANTOS. Thank you very much, Secretary Perry and Ambassador Lilley. You have both given us tremendous insight and analytical prowess, and we are all grateful to you.

Let me begin by asking both of you basically the same question. In various forums, you have both been advocating effective coercive diplomacy, and that surely is the preferred option for all of us.

Now, during my various visits to North Korea, I had as my goal, modest as it was, to urge the North Koreans to return to the Six-Party Talks, and while I certainly do not claim credit for their having done so, unless they return to the Six-Party Talks, it is very unlikely we will get much action, and now they are back at the Six-Party Talks.

What specific steps can the various players in the Six-Party Talks take to bring about a policy change in North Korea? Clearly, neither Japan nor Russia nor we have enough leverage to bring about significant change; only the South Koreans and the Chinese do. Since they clearly have not done so in the past, I would be grateful if each of you would address the reasons why the Chinese and the South Koreans have not taken the effective measures that are within their capability, and what policies should we pursue to persuade Beijing and Seoul to move in the direction of effective coercive diplomacy vis-à-vis Pyongyang. Secretary Perry?

Mr. PERRY. I think the most effective coercive element in the negotiations comes from the Chinese and the South Koreans, where they have to threaten to stop the shipment of oil and grain. This would be huge, huge factor with North Korea. As I indicate in my testimony, they have so far refused to do this, but I do believe that the North Korean behavior in actually testing the nuclear bomb might have put a new element, a newer thinking about this, in China and South Korea.

So I would return to China and South Korea and lay this on them very heavily, that they must provide that coercive element. Those are the sticks that one of your members was asking about.

The carrots can come primarily from South Korea and Japan, the economic carrots, because they have the interest and the wherewithal to help North Korea develop economically. The one carrot incentive that the United States can provide is an agreement, on certain conditions, not to use our military to overthrow their regime. This, in fact, was one of the things we promised to them at the September 2005 discussions.

Also, we can offer to turn the armistice into a peace agreement, and that, from our point of view, would be a desirable thing to do anyway.

So those, I think, are the elements we have at our hands that ought to be on the table in the negotiations.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. Tracking what the Chinese have done to bring their own type of pressure on North Korea. It is not our type of pressure; it is their type because they do not trust our tactics or techniques, and it seems to me there is something going on there because the North Koreans are very difficult bargainers. The Chinese have found this out. If they, in fact, Chinese, cut the grain supplies to North Korea, the North Korea answer is, You can feed our people

in China, or you can feed them in North Korea. Take your choice. And then they probably get another 500,000 tons of grain.

My indications are there has been movement, both by South Korea and China. As far as I know, South Korea has not resumed the fertilizer and rice shipments, and what the North Koreans have done to the South Koreans is to say to them, That great emotional factor in your existence is the reunification of families. If you want that, and we have suspended it all, resume the fertilizer sales. That is bargaining from the North. That is the way they bargain.

So it seems to me, the fact that they are doing this indicates that something is happening. I think, also, the element of giving the North Koreans enough delay on our aid plays into the psychological aspects of, let us say, China's support for them, and we can bring up the Koguryo Dynasty problem, which is a shot across their bow, as opposed to their so-called treaty that they have now, it puts the whole relationship in question.

I think, also, the United Nations' sanctions that came out of the resolutions that were passed cut back on any trade that is related in any way with the North Korea military program. This is a way to develop pressures on them.

My whole point of what I was saying was that the North Korea position, horrible as it is, has evolved. They have been obliged to adopt different methods to get what they want. Do not give up on it now. Do not tell the Chinese that they have to cut off all of the grain, or the South Koreans. They will not pay any attention to us because the South Koreans are convinced that the way to bring about a successful outcome to the situation in North Korea is to influence them through economic seduction.

We know them much better than you do, they tell us. We have had thousands of meetings with them in the Korean language. We know where their weaknesses are, and their weaknesses are in their economic vulnerability, and when that point comes when we have a large presence there in North Korea, those weapons will be taken and thrown into the Pacific Ocean. That will be the outcome, and that is the solution.

The Chinese, of course, have a much more complicated position. They want to retain their influence on the peninsula, but they do not back losers. They are into South Korea, as you know, up to here: Largest trading partner, a number of things they are doing in South Korea which indicate a movement there where the Chinese are shifting more and more of their emphasis to South Korea and away from North Korea. North Korea is a liability; South Korea is an asset.

Watch this process. This is not coercive diplomacy; this is long-term leverage over North Korea, and North Korea, I believe, gets the point.

Mr. ACKERMAN. Mr. Chairman, may I comment?

Chairman LANTOS. Please.

Mr. ACKERMAN. I fully agree with Ambassador Lilley's emphasis on the economic absorption of North Korea. I think that is the long-term strategy which we should be pursuing. I do not think that helps with the short term and the nuclear weapon program, and I do believe, in the short term, to deal with the nuclear weapon

program, we need to have an effective coercive strategy beyond that.

Chairman LANTOS. Well, pursuing that for just another minute, recently, we had a very high-level, United States cabinet delegation go to Beijing, which, in my judgment, was spectacularly unsuccessful. The Chinese ambassador visited with me not long ago, and I pointed out this fact to him, and I indicated that we expect our Chinese counterparts to deal with the matters that are of vital interest to United States national security interests, namely, their proposed \$16 billion investment in Iran and the nuclear program in North Korea.

What mechanism would both of you find useful in persuading our Chinese and North Korean counterparts to take more effective action?

Mr. PERRY. I think I would offer two unrelated points. First of all, in order to persuade them, over the near term, to take coercive action relative to the nuclear program, we have to convince them that the nuclear program is a threat to them as much as it is to us.

Chairman LANTOS. Do they so consider it now?

Mr. PERRY. I think they can believe that. I think they understand that. So I think that is probably doable.

But, secondly, I think, quite aside from the nuclear issue, the United States should be seeking to work cooperatively with China in the development of energy. Both the United States and China are heavy users of energy. Both of us have a shortage of energy, and we are going to end up competing in the world markets for energy unless we can find a way of cooperating. And I think there is a very good basis for cooperating with China in that regard, in that we have the technology to help develop alternative energy supplies, and they have the need for them.

So I think there are possibilities of working in cooperation with China in that regard.

Chairman LANTOS. Ambassador Lilley, would you like to add something?

Mr. LILLEY. I think Secretary Perry made a point: The South Korean long-term absorption of North Korea does not take care of our immediate problem. What I am proposing is that there is a trade-off here between our acceptance of their techniques of absorbing the North and their cooperation with us on the PSI and other matters. All I can say is my sources indicate that that is taking place. It is not taking place in the Chinese joining the PSI Initiative or the South Koreans openly interdicting their ships but it is happening.

Chairman LANTOS. A few days ago, this committee held a hearing on Iran, and the witnesses were Secretary Tom Pickering and former CIA Director Jim Woolsey, and we had a very useful dialogue about a proposal of establishing an international entity that would provide nuclear fuel and reprocessing to any country, guaranteeing that the supply is steady and preventing the need for each country developing its own enrichment and reprocessing facilities.

Since both of you are knowledgeable in this field, may I ask you, Dr. Perry, to comment on this proposal?

Mr. PERRY. I think this is an excellent proposal. I believe that the international entity for supplying nuclear fuel, relative to Iran, is a necessary condition for curtailing Iran's nuclear program. It is not a sufficient condition. It does not scratch all of their itches, but it does take away their excuse, coming into this program. So I think we should do that, but we should not believe that that will be sufficient.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I think that it is a good program. It is a good conceptual idea. I just do not think the North Koreans will play ball, no.

Let me just make another point, though. I think, basically, this trade-off, what I am talking about is to seek South Korean and Chinese and Japanese and Russian cooperation in neutralizing the military capabilities of North Korea in proliferation in return for allowing them the chance to transform North Korea. That is the deal.

Chairman LANTOS. Thank you very much. Congresswoman Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you, panelists, for excellent testimony.

Secretary Perry and Ambassador Lilley as well, how can we call the Agreed Framework a success or anything remotely successful? At the very time that Secretary Albright was meeting with the Dear Leader in Pyongyang, the North Koreans were enriching under her very nose. During the Clinton administration's implementation of the Agreed Framework, North Korea was trading its missile technology with AQ Khan for highly enriched uranium technology, at that same time.

I believe that it is a revisionist view of history to label the Clinton administration's North Korea policy as anything but a failure, a disaster. In 1994, North Korea pledged to freeze its nuclear program in exchange for international assistance to build its nuclear reactors. Four years later, North Korea fired a missile into the Pacific Ocean in 1998. The response from the Clinton administration was to essentially reward North Korea for its behavior by engaging in high-level talks and, in September 1999, easing sanctions against this rogue regime.

The one lesson I believe that was learned from North Korea from this exchange is that it could blackmail the international community and the United States into concession. Many would argue that Iran has similarly learned this lesson well and has adopted the same approach. The chairman used a great phrase that I would apply in a different way. I think that the Clinton administration's North Korea Doctrine has been spectacularly unsuccessful. I would like for you to comment on that, and I am just going to string them together, Mr. Chairman, if I might.

On the issue of human rights, when Jimmy Carter went to North Korea in 1994 and met with Kim Il Sung, he talked about nuclear issues but said not one word about the gulags, the massive human rights violations. Jimmy Carter, as we know, is known far and wide as the human rights President, and he criticized South Korea's human rights program vigorously during his administration but said not one word about the suffering of the North Korean peo-

ple and who was responsible for that suffering, nor did Secretary Albright make this a priority issue when she visited Pyongyang.

So why was the Clinton administration silent about the greatest human rights tragedy in Asia since Pol Pot?

And, lastly, on the China issue, we have repeatedly gone to Beijing, asking for its help regarding North Korea. The Chinese always say that they are doing all they can, but there is very little result. However, when China, which is North Korea's only ally and the conduit for most of its energy and food, wants something, it has no problem using its leverage, including cutting off oil to North Korea, with immediate results.

Why is China jerking us around in this manner? Do they want a resolution, or do they benefit from having the United States bogged down in a crisis that we cannot resolve but which keeps us coming back to Beijing with hat in hand over and over again?

Lastly, Secretary Perry, you had mentioned the op-eds that you had written some months ago, one of them advocating a possible surgical strike on North Korea's nuclear missile. You said:

"If North Korea persists in its launch preparations, the United States should immediately make clear its intention to strike and destroy the North Korean Taepodong missile before it can be launched. This could be accomplished, for example, by a cruise missile launched from a submarine carrying a high-explosive warhead. The blast would be similar to the one that killed terrorist leader Abu Musab al-Zarkawi in Iraq, but the effect on the Taepodong would be devastating."

Do you still hold those feelings, as you were pointing out in your statement, and is a military strike on North Korea's nuclear facility feasible? Do we have enough information about their capacity and the facilities to be able to destroy them with great confidence? Thank you, Mr. Chairman.

Mr. PERRY. Let me comment on the several different issues you raised, Congresswoman, and, first of all, the Agreed Framework.

The Agreed Framework, in my judgment, in no way solved all of our problems with North Korea. It did not solve, or even address, the human rights problem. It did not solve the counterfeiting problem. It did not cause North Korea to give up its nuclear aspirations. All of those things you can say flat out.

All that it did, all that it did, was it stopped North Korea from building 50 to 100 nuclear bombs between 1994 and 2002. That is probably worth having, though.

In addition to that, with the absence of an Agreed Framework in the last few years, they have built six nuclear bombs, and they have restarted a reactor which could allow them to build 10 nuclear bombs a year.

So the Agreed Framework focused on this one problem, and on that problem, it did pretty well. It did not have any effect at all on other problems which we care a lot about.

On the Chinese, in my judgment, the Chinese are not doing all that they can. I am puzzled about that. My own rationalization of that is that the Chinese agree with us and concur with us that they want no nuclear weapons on the Korean peninsula, but they totally disagree with us on how to achieve that. In particular, they

are fearful of a regime collapse in North Korea, which would cause hundreds of thousands, or even millions, of refugees to flow into North Korea.

So we have different goals, I think, in the negotiation. If we could find some way of getting a concurrence with the Chinese on what our goals are, we might be able to get some agreement on how to apply the right kind of diplomatic pressure. Ambassador Lilley?

Mr. LILLEY. I heard, at the National Press Club last month, a highly experienced, technical man who—

Chairman LANTOS. Could you pull the mike a little closer?

Mr. LILLEY [continuing]. Who was just in North Korea, and he says the 50-megawatt reactor is a mess. It is in terrible shape, and thought that they could probably produce no more than one nuclear bomb a year. This is one man's opinion, but a very experienced man who knows these things a lot better than I do.

My sense is, with the Chinese, you go along with them, but you have got means to cause them some problems. We know where they are sensitive. You could do these things, but you have to be fairly subtle about it, and whatever they are achieving in North Korea, you have got to watch for the specific actions that North Korea takes.

Now, again, you had the nuclear test, but, look, that nuclear test was not a very successful one, and the first missile they tried blew up in the sky.

It is disturbing that they are doing this, but look carefully at the limitations of these guys. How much of it is bravado? How much is it really a bargaining technique to get you to come around because that technique works? When you use blackmail of this kind, we come through with goods and various things, and I think they are trying to do that now. But you have got to get to the bottom of their capabilities and not make broad assumptions about what they can do because they have very serious limitations on their capabilities. I think, basically, these are increasing.

Chairman LANTOS. Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman. I cannot help but be amused when some of our colleagues criticize us for being too partisan in trying to deal with the failures of the administration, which we have now, and then spend so much time going back to blaming everything on Bill Clinton and Jimmy Carter and Madeleine Albright, and maybe we should take a look at what Herbert Hoover did about this.

I was curious about my friend from California, whose position I would like to flesh out with our witnesses.

Chairman LANTOS. Which friend are you referring to?

Mr. ACKERMAN. My very good friend—thank you for the clarification—whose approach is a legitimate approach. It is basically starve them out. Why should we give them anything? Do not give them any food, oil, or anything else, and do not help them.

Knowing of Ronald Reagan's point of view that food and humanitarian aid should never be used as a political weapon, I was just wondering if my friend, when he was Reagan's writer in the White House, penned those lines for him, but we will deal with that later.

I was in Pyongyang. It was 1994, in October. I met with Kim Il Sung, discussed at great length the switching of the heavy to the light water reactor, an international group paying for the costs, and somebody supplying oil while the thing changed and turned around, and he was very receptive.

It was disappointing to me that when I returned, the Clinton administration did not accept that as real, and it was not until several months later, on Jimmy Carter's visit, and I am the last one to defend Jimmy Carter these days, that he announced right after the meeting very publicly what then became the Framework Agreement.

When the Republicans came in, as Dr. Perry pointed out, and I am going to ask him the question, the administration walked away from the talks and the table and thought that hating Bill Clinton was a substitute for foreign policy and came up with nothing else.

After listening to the criticism of the Clinton administration's policy that my colleague from Florida described as a total failure, could you tell us, if that policy was not in place, how many weapons, nuclear weapons, the North Koreans would have today?

Mr. PERRY. If the North Koreans had operated their facilities according to the plan that they had already laid out, and if we had done nothing about it, between 1994 and 2002, they could have built somewhere between 50 and 100 nuclear bombs.

Mr. ACKERMAN. So you would consider that policy, while it was in effect, a success or an abject failure?

Mr. PERRY. That was the benefit of the Agreed Framework. As I said, there were many other things they might have done that they did not do, but it did stop them from building 50 to 100 nuclear bombs, which was no small accomplishment.

Mr. ACKERMAN. How do we better engage the Chinese, who seem to have much more leverage and levers than do we, to convince them what is in their national interest? You point out, and this is the question that comes back to what Mr. Rohrabacher was advocating, it is in the Chinese interests to make sure that the North Koreans remain in North Korea rather than go to China, the theory of implosion rather than explosion.

If we did take the hard line and said, Nothing more from the United States, no more humanitarian aid, if that became our policy, what do the Chinese do? Do they just fill the void, or do they try to change North Korea's policy so that the rest of the world is engaged as well?

Mr. PERRY. I think probably the Chinese would fill the void, and the real question is, what can we do to get the Chinese on the same negotiating track that we are on in dealing with North Korea? That is the big issue. If we and the Chinese can agree on how to approach North Korea, I think we could be successful.

Mr. ACKERMAN. Ambassador Lilley, do you agree with that? How do we better engage them?

Mr. LILLEY. Let me come to the defense of Herbert Hoover. He was not an ideal President, but he was one of the most effective aid administrators we ever had. When he went into the Ukraine during the period of horrible Soviet starvation, he laid down the rules for the Soviet Union. He said, "I will monitor the whole thing. You are not going to put the party in here. I am going to go all

the way to the bottom on this,” and he conducted a program that probably saved 5 million Ukrainian lives but he got Stalin.

I will not play mathematical games with you in terms of human lives, but if you do something successful, as he did, you get unintended consequences.

As far as the Chinese are concerned, as I pointed out, they have taken a number of actions, that they are split on this issue, that they tend to move more in the direction of being a responsible stakeholder. We are beginning to see that happening.

Chairman LANTOS. Thank you very much. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, and thank you, Mr. Ackerman, for highlighting my questions. Let me note that I was working for President Reagan when he took a position on food in relationship to basically hostile countries. Let me note that he never advocated us sending food aid to countries that were hostile to the United States and democracies. The reference you are talking about dealt with Ronald Reagan’s belief that we should be willing to sell food to anyone, including hostile powers, because if you sell it to them, they are using their hard currency for food rather than using their hard currency to develop weapons systems, and that is a huge distinction that we should be aware of here.

If we were not providing food freely to the North Koreans, they would have to use their hard currency for something other than developing nuclear weapons. Now, my researchers have shown me the statistics, and we seem to have provided over \$1 billion worth of medical, food, and energy assistance to the North Korean Government in a 10-year period. That is \$1 billion that they have now that is available to produce nuclear weapons and to stabilize their control over their population.

This makes no sense to me at all, and in the testimony that we have heard today, and let me compliment the chairman again, we have had such high-level people here, and I know you are setting a precedent, and I have gotten a lot out of your testimony, and I am going to ask a couple of, you know, probing questions, but do not think that I did not appreciate the expertise that we have just had and have benefitted from it, because I have.

But it just seems to be aversion among both of you to the idea that North Korea, this horrible, brutal dictatorship, might implode, and I will tell you, I think it would have been a very good idea to let the Soviet Union, under Joseph Stalin, implode rather than have fed his people. I am sorry, but I disagree with Mr. Hoover at that time. Perhaps we could have sold Stalin food, sold it to him so that he would not have used his hard currency to set up the monstrous gulag regime and militaristic regime that he set up.

But why is it that we have to fear that there is going to be some sort of dislocation going on in a short period of time on the North Korean peninsula? Do they not have a better chance for absorption by the South, or at least as great a chance, as they had in Germany, for example? It did take 10 years for Germany to absorb that, but that did not create havoc in Europe. In fact, I believe that the implosion of the Communist regimes in Europe has actually led to a great stride forward for humankind.

So why is it so different in North Korea, especially with this cuckoo regime that threatens us with nuclear weapons? I just

throw that out to you, either one. If neither one has a comment, I have more points to make.

Mr. LILLEY. What was the question?

Mr. ROHRABACHER. Why is there such an aversion to the implosion of the North Korean regime? Why is there such a fear that the dislocation will be so disruptive that the benefits of getting rid of that regime that now threatens to build nuclear weapons would not be offset by some of that, as compared to what happened in Eastern Europe when those regimes imploded, and now we have a better world?

Mr. LILLEY. First, I think you have different kinds of Communist-nationalist regimes in Eastern Europe and in Asia. The Asian regimes have what you might call authenticity. The Eastern Europeans did not. They were puppets of the Soviet Union. The Vietnamese, the Chinese, and the North Koreans have a very high sense of nationalism, which never existed in Eastern Europe.

I think, second, implosion; I do not think we fear implosion. The people that really fear the implosion are South Korea and China. They are the ones that would have the real problem on that one. As I pointed out, millions of refugees, warlords with nukes, a unified Korea allied with the United States; these are not pleasant concepts for their neighbors. What we are using, the "in" word now is not "regime change" or "implosion"; it is "transformation."

Mr. ROHRABACHER. Right.

Mr. LILLEY. Yes. Okay. "Transformation" means you are going to bring about, over time, changes in that regime's policies, and if that does not work, in the people.

Mr. ROHRABACHER. My time is up, and let me just say, I have not seen any transformation. We have spent billions of dollars. The only thing I have seen—in China as well, by the way, I do not see any great liberalization going on in China. Let us note, behind the scenes—I disagree with both of you—behind the scenes, China is playing a much more villainous role in the development of nuclear weapons in North Korea than what we have heard today. Thank you very much, Mr. Chairman.

Chairman LANTOS. Thank you very much. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. It is always a difficult act for me to follow my good friend's, the gentleman from California, line of questioning and his comments on our committee hearing, but I just wanted to ask a couple of questions.

Secretary Perry, you did share with us your experience and involvement with the Agreed Framework that was established during the Clinton administration, and I am always trying to figure out the failures, as has been alluded to earlier by our colleague from Florida. I have always felt that it was a successful effort on the part of the Clinton administration.

I do not want to point fingers, but I just wanted to ask, Mr. Secretary, not only preventing the North Koreans from building 50 to 100 nuclear bombs, but Secretary Albright was the first secretary of state ever to visit North Korea, even met with Kim Jong Il and all of that.

Did you think that perhaps this was a greater success on the part of the Clinton administration to actually dialogue, people-to-people, even though we may disagree with the behavior, the type

of leadership displayed by Kim Jong Il, the fact of the matter is there was a constant dialogue with the North Korean leaders, and was there an earnest effort made not only to prevent them from building nuclear bombs but getting into other aspects of establishing a better and closer relationship with North Korea?

Mr. PERRY. I believe that dialogue and economic cooperation are very important with North Korea because, over the long term, I agree with Ambassador Lilley that that is what could lead to the absorption of North Korea, which is the long-term solution to the problem there. But I must say that I think that the South Korea-North Korea dialogue and cooperation is more important than the North Korea-United States dialogue and cooperation, and I would hope that South Korea could do it and do it more effectively than they have done it recently. But I do think that that is the key to this long-term absorption. I would be interested in Ambassador Lilley's comments on that.

Mr. LILLEY. I think, in South Korea's case, they have been pillaged, colonized, raped by their neighbors for 1,000 years, and they have become a little bit pugnacious on the basis of that. The people from Cholla-Namdo are real good boxers, for instance.

The sense of foreigners playing with them is always very much in their mind. The Japanese occupied them for 35 years. The Russians were in there. The Chinese were in there.

Chairman LANTOS. Could you get the mike a little closer, Ambassador Lilley?

Mr. LILLEY. Yes. So foreign powers are resented, and there is a sense in South Korea, they are really torn on this one. Their blood ties to the North are strong. They sing the same songs. They drink the same booze. They eat the same food. They like the same poetry.

This is a strong tie, and we have been there a long time, and there is no question that the continued presence of a large military contingent causes social problems, and they have caused some serious social problems for us. But you have a very, in my experience, strong body of people in South Korea, including the President, that feel that the United States is indispensable to their future. But this does not mean they are going to follow our orders. It does not mean that at all, as it does in China. They do not follow us on these things. They do it their way.

The thing that Chris Hill has done, I think, his real achievement, is to bring the powers together and get the Chinese to do what they can do, get the South Koreans to do what they can do, and we do what we can do. The result, I claim, although you had this nuclear test, and you had the missile test, is that, in the North Korean case, it is largely bravado, and they are beginning to have to make adjustments in their policy because of our policies, and I would not be discouraged by what we have done.

I am not arguing the Agreed Framework was a total disaster. There are flaws in it, but it was all right in some ways. But we are now going into the next stage and support Chris Hill on this one.

Mr. FALEOMAVAEGA. I just wanted to say that I think myself and two other of our colleagues were the first Members of Congress that went to Gaesong in North Korea, and I personally witnessed the tremendous potential there is on this North Korea-South Korea

economic relationship, and I think it all means we should promote, and we should encourage the North Koreans and South Koreans to see if they can find some means where there is not only closer economic cooperation but the fact that they are the same people, and we should do all we can to promote that unification process for whatever it relates to. Not only politically, but as a people, they are the same people.

Chairman LANTOS. Thank you very much.

Mr. FALEOMAVAEGA. I just want to say, from the South Korean leader, he said to me, "You know, the United States, you are our friends, but the North Koreans are our brothers." I think that is the distinction there. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much. Congresswoman Sheila Jackson Lee.

Ms. JACKSON LEE. Mr. Chairman, thank you very much, and, again, I would like to join my colleagues in thanking you for your leadership on both South and North Korea, your previous visits, and I look forward to the upcoming visit and the leadership of this committee that, I think, will offer a new direction in American foreign policy.

Let me thank our distinguished witnesses for your service to this country, and we respect it greatly.

I mentioned in my opening comments the military demarcation line. I continue to remind myself of that because now, for more than 50 years, the United States military, men and women from our neighborhoods and our communities, have been, if you will, on the dividing line between North and South Korea.

That is something that deserves our commendation and respect, but it also, I believe, requires a serious focus on this moving target, North Korea and its leadership, and, of course, the sensitivity of South Korea. I believe that we cannot cease our involvement and, frankly, view the Iraq War as an enormous distraction from, I think, important business that had been started at the end of the Clinton administration.

Secretary Perry, I would like to have you simply edify or educate us on any value that you could give to the terminology, "axis of evil," and how far that took us in our interaction with South Korea and North Korea. Then I would like to ask, again, the question—I know you have answered it somewhat in many facets or many ways, but I watched Secretary Albright, at the end of the Clinton administration, engage, and no diplomacy is perfect. We have already defined North Korea's methods. They have done it to every administration: Agreements made, agreements broken. It is not unique. But the idea is that we were engaged.

Can you assess how far back we were taken by the immediate cessation of the talks that Secretary Albright had begun and was ongoing when the Bush administration came in? So if you would comment on the axis of evil, and where did we wind up after ending those talks when we were seemingly in the middle of some very productive discussions?

Mr. PERRY. To comment on a few of your points, in terms of the military demarcation line, we have our troops that are exposed in a very forward location for one reason, and that is because if the North Koreans were to attack, they could very, very quickly be in

Seoul, which is half the population of South Korea, and our troops are there to help the South Koreans stop that attack before it gets to Seoul.

Ms. JACKSON LEE. And I do not disagree. I am saying, because they are there, we owe them a viable foreign policy with North and South Korea.

Mr. PERRY. You bet we do. I never agreed with the use of the term, "axis of evil." I think it has not achieved any benefits for the United States and has caused us unnecessary problems.

Ms. JACKSON LEE. And the ending of the talks that Secretary Albright, at least, seemingly not picking those talks up immediately as the Bush administration took office.

Mr. PERRY. I always believe it is better to talk with countries that you have problems with, and the more you dislike the country, the bigger problems there are, the more reason you have to talk with them. I do not think we need to fear from talking as long as we go into those talks with a confidence in what we are trying to do and with strength.

Ms. JACKSON LEE. Ambassador Lilley, I understand this administration's preference for Six-Party Talks. As I understand it, it is to, one, not give deference, respect, or status to North Korea, as well as the fact that North Korea has rebuked or, if you will, broken a number of previous agreements. It is to, in essence, make them behave.

But is it not possible to engage in Six-Party Talks with the possibility of bilateral talks, prospectively or simultaneously? There are times when the Six-Party Talks are in order. I would like to say, humorously, China is in the mood, but there are times when they are not. I am delighted to hear that Secretary Hill may be en route. Can not we combine our approaches, particularly in this very difficult and tricky region of the world where we need stability, I think, most definitively?

Mr. LILLEY. Well, I think that is precisely what we are doing. We are contacting them bilaterally, and we are contacting them through the Six-Party framework. The fact that they are so concerned about the Six-Party framework, it seems to me, you must be doing something right, and I think that Chris Hill's ability to pull the parties together and to get some sort of a cohesion on North Korea has caused them to really rethink what they are doing.

Also, I go back, in my own experiences in Asia, that we had the coming of democracy to South Korea in 1987. I happened to be there. You do not get a democracy that is going to be your friend necessarily. You get a populous President who comes into his victory on an anti-American theme. Nevertheless, he is somebody we can deal with. I think, also, when you bring democracy to Taiwan, which we helped do, that you get somebody who is elected who pushes the course of independence, which causes our foreign policy people considerable grief.

So a democracy itself is not the solution, but it certainly is the best process for politically running a country, as Churchill said, than all of the others.

So, yes, of course, you are going to deal with them, but I do not think you want them to keep setting down the terms of your deal-

ing with them. They say you must deal with us at an authoritative level, or you will not get anything done. Therefore, we will then deal with them on an authoritative level. You find out what they want, and then you use that as a bargaining tool to get them to give you things that you want. You do not just give it to them and move on it.

I agree with Secretary Perry that this process of dealing with your enemy is a process that can work and has worked for us in the past, but do not get wrapped around this business of you have got to have high-level, bilateral talks with North Korea, or nothing is going to happen. The real factors that make things happen are the squeeze you put on them, the psychological, economic pressures, the infiltration of their system, the use of your friends and allies to begin to corner them; that is the way to do it.

Chairman LANTOS. Thank you very much. Congressman Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman. Let me just commend the both of you for an excellent presentation. We have benefitted greatly from it, and thank you, Mr. Chairman, for bringing such an illuminating presentation to us.

Let me ask the both of you this question: What if North Korea either transferred or sold a nuclear weapon to al-Qaeda or any other terrorists? Should not we, in our policy, have what we call a "red line" at some point? What would be our military reaction, not for that one point, that if they sold it or transferred it, and we knew it? That is one. Two, should a device, a nuclear device, from North Korea be exploded in one of our cities—New York, Washington, or even Moscow, Paris—any major city, what should that response be if either one of those scenarios were to occur?

I say that, with the world knowing now, in October, after being warned, after being told, North Korea went ahead with a nuclear test. I agree with you, Ambassador, it may not have been that successful, but we know one thing now that we did not know. We know two things: One, that they have a nuclear capacity; and, two, we did nothing about it. What should we do if one of their nuclear devices got into the hands of a terrorist group; and, second, what should the military response be should one of those explode in one of our cities?

Mr. PERRY. Mr. Scott, it seems to me that our policy now ought to be to deter that from happening. Once it happens, it is a different story, but we should try to deter that from happening. Our best chance, I think, of deterring that from happening is to make sure that North Korea understands that we would consider such an attack to be an attack from North Korea and respond accordingly, even though the actual attack came from a third party.

I referred to the statement that President Kennedy made at the time of the Cuban missile crisis, where he said that a nuclear missile launched from Cuba against the United States or other countries in the Southern Hemisphere would be considered an attack by the Soviet Union on the United States, even if the Cubans launched the missile, and we would respond with full retaliation against the Soviet Union. I believe that statement by President Kennedy went a long way toward deterring the catastrophe that could have happened in Cuba at that time. I think we should do a similar thing.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. You can correct me on this, Bill, if you choose. It seems to me that President Clinton made the same point in 1993 to North Korea: If you ever use your nuclear weapons, you face massive retaliation and elimination.

I think that is burned in there, and the question is, can you trace something through the terrorist network back to North Korea? These guys are very accomplished smugglers, and they are capable of almost anything, but it seems to me the policy that we carried out has led to them progressively backing away from a sudden violent action directly against us.

You are not seeing that happening in the last 10, 15 years. You see them adopting these tactics of using WMD as a tool that they can blackmail us to get food and money and oil without ever getting into that business of putting it in al-Qaeda's hands. I think, as Secretary Perry says, you have got to do everything possible to stop them from doing that. That is the main thing.

Mr. PERRY. I would add to that that the statement we made in the past was of North Korea using a nuclear weapon against us. We need to amend that statement to a third party using a North Korea nuclear weapon.

In general, it is very hard to determine the source of a bomb. In this case, and, in particular, in the case of North Korea, we have had international inspectors and American inspectors at that facility making measurements for many, many years, and I believe we could, through forensics, determine whether the bomb came from North Korea or not. So I think we can make a credible threat.

Chairman LANTOS. Thank you very much. The gentleman's time has expired. Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman. A few preliminary points. I think it is simply unacceptable how the State Department has recently cheapened our diplomatic language, particularly, the word "unacceptable," since we have accepted so many things that we have branded unacceptable.

I do not think we should put our faith in regime change, whether that be the violent overthrow of this regime that some in the United States harkens for or China's hope that somehow North Korea becomes more like China. First, it is unlikely; but, second, if that regime sees itself going under, they could very well do a number of desperate things with nuclear weapons.

The ambassador points out that the tide of history is on our side, in the sense that powerful nations with large economies all agree that this puny, little country, with its puny economy, should not have nuclear weapons. The problem we have is that since the dawn of the Nuclear Age, the tide of history does not work the way it used to. Only in a Nuclear Age do people in Tokyo have to fear North Korea, whereas in any other time in our history, a powerful nation and its capital would not have to worry about being exploded by a country that was far smaller and had a far smaller economy.

Our colleague, Mr. Rohrabacher, calls for us to use the stick of cutting of food aid. I am informed, and I will ask our witnesses to interject if this is, in any way, wrong, that, in 2005, our total food aid to North Korea was \$7.5 million. Obviously, South Korea and

China provide far more, but if we just cut off our own, I do not think that is enough to bring the North Koreans to heel.

So I think, as the ambassador points out, whether we meet at the highest level or just a high level, or whether we talk to a six-sided table or a two-sided table, does not so much matter. It is what we say, what we do, and what realities we create, and the realities on the ground now are that North Korea can survive without our \$7.5 million worth of food aid, and as long as they get support from China, they will continue to develop nuclear weapons, particularly when they are not being offered the kind of sincere security guarantees and nonaggression pacts that they might aspire to.

So this leaves the issue of how do we change Chinese policy? So I will ask both of our witnesses. I have been told that China does not want North Korea to continue to have nuclear weapons, but it values stability far more than nonproliferation, and it may derive some joy in the pain caused here in the United States by the North Korean nuclear program.

Are we going to be able to get China to threaten to cut off North Korea's oil just by going to the Chinese and saying, we think that is what they should do, in their own interest, and we will send smart people over there to tell them that they do not understand their own interest all that well, but once they talk to us, they will understand that it is in their own interest to change what has been their policy for the last 5 years. Mr. Secretary?

Mr. PERRY. I will preface what I am going to say by observing that I tried for 4 years to change Chinese policy relative to North Korea, and I was quite unsuccessful.

Mr. SHERMAN. Mr. Secretary, were you ever authorized to tell China that we needed that change, and if we did not get it, it could change our trade policy?

Mr. PERRY. I was never authorized to say that.

Mr. SHERMAN. Okay. So that leads me to the next point, and that is—

Chairman LANTOS. The gentleman is quickly running out of time, and we will not get an answer from our witnesses.

Mr. SHERMAN. Could you have been more successful if you had been able to say that the next boat load of tennis shoes headed to our harbors might be turned around if they did not listen to you more clearly?

Mr. PERRY. Probably, if that threat had been credible, but China, I think, fully understands that cutting off trade with China is a double-edged sword.

Mr. SHERMAN. I am not talking about cutting of all trade.

Chairman LANTOS. Ambassador Lilley, do you want to comment?

Mr. LILLEY. Well, we went down that path when I was in China. We threatened to lift MFN if they did not shape up on human rights. Their answer was, go to hell. Then one year we turned around, and we said, "Well, let us go back to the drawing board."

I tried to make the point that what is happening is we are turning the screws on North Korea. That is happening. Now, our intelligence perhaps is not that good, and we are being disappointed or jilted again, but this is going on. This is happening. Do you want them to cut off all of the oil? No. The Chinese are not going to do

that. They are not going to get these guys cornered because they know they will do something horrible. Do not do it that way; do it our way. Gradually, the water torture, a thousand drips on your head; this is the way to do it, not your way.

Mr. SHERMAN. I wish I was more confident that continuing the present course would yield results, and I yield back my time.

Mr. PERRY. We will see.

Chairman LANTOS. Ambassador Watson.

Ms. WATSON. Thank you, Mr. Chairman, and I want to thank our two ambassadors. This is very, very helpful. We have had reduction in our forces over there. We had a pretty large component in South Korea, and I was in that part of the world for quite a number of years. Our bases have been closed, and the number of U.S. troops that we have had have been reduced.

I would like to know what impact has this force restructuring had on our relationships, United States and South Korea relationships, and has it impacted the Six-Party Talks in any way? Let me start off with Ambassador Lilley.

Mr. LILLEY. Well, we are going through a very difficult phase of renegotiating our status of forces and our forces in Korea right this minute, which is moving from Yongson to Pyongyang, which is 70 kilometers away. We are trying to get out of that.

When I was there in Korea, we had the 8th Army golf course in the middle of Seoul. It was a blight on Korean nationalism. It took us 2½ years to move that out because there were elements in the United States Government that did not want to do that, but we got it done.

We have to lower our profile. We have got to get into this command control in an emergency, and we are dealing with that right now with them. And it turns out, when we push it to the wall and say, "Let us do it by 2009," they say, "2012. Okay?" You will get your wartime control back in 2012?

They are very concerned that if America pulls out precipitously our security support for South Korea, they could go into economic decline. This was very much on the South Korean President's mind. Be careful on this one. Talk to us about it before you move, he said.

I think they understand that we can be quite offended by some of the editorials and demonstrations and the labor unions and the crazy young students coming after us and damning American imperialism as the cause, and this happens all of the time. But I think we are moving in the right direction. The combined forces command in South Korea is going to go. We cannot manage that anymore with an American four star in command of their troops in a crisis situation. You will not be able to do that. You will have to change that.

I think what we are doing is we are trying to build up the U.N. command. There were 16 U.N. countries contributing to the forces when we fought for Korea. That anachronism still exists, but I think General Bell has been saying, "Look, take the U.N. here and use that as an instrument to establish a presence that the North and South Koreans can have confidence in to sustain our ability."

But there is always a drawback to this, and there was in these elections where the current populist President got elected. Their two little girls were killed by one of our Humvees, and this turned

into a really violent, anti-American move because we took the two guys out and acquitted them.

These things come up, but my sense is that we are moving in the right direction on this one, and we are shifting out of downtown Seoul, and we are giving them back the command structure and yet maintaining a deterrent to North Korea that is reliable. That is the problem. I think we are doing it.

Chairman LANTOS. Secretary Perry?

Mr. PERRY. I think that it is very important, both for United States policy and for South Korea policy, for the United States to maintain a modest force in South Korea for the indefinite future. The move out of Seoul to south of Seoul, I think, is a good move, and I commend the administration for doing that. The modest reduction in forces we are making there, I think, is also an acceptable move.

I have concerns about the reduction in forces along the DMZ, and I have concerns about the change in the command structure, but, on balance, I think the actions taken by the administration on South Korea and troop forces, I think, have been good measures, and I support them.

Ms. WATSON. Let me just end by this, and it will be real quick. It has been suggested that South Korea could repulse an attack by North Korea without our support. I would like to hear your opinions on that, and thank you, Mr. Chairman, for the indulgence.

Chairman LANTOS. Surely. Secretary Perry?

Mr. PERRY. I think it would be a catastrophe for both North and South Korea. Ultimately, probably the South would win, but the real issue is what happens to the northern part of South Korea? What happens to Seoul and environments? They would be devastated by such an attack. The only chance of stopping that attack before it gets to Seoul is to have United States power at the DMZ and, most importantly, United States air power to blunt that attack before it could get into Seoul. The South Koreans could not stop that from happening.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I just would add to what Secretary Perry said. I would say that North Korea has over 10,000 artillery pieces aimed right at Seoul, with conventional arms. If the balloon goes up, these could take out probably three-quarters of Seoul, and you would lose millions of people right away.

So we have to do everything possible to prevent that from happening, and we are going to have our air power remain there at Osan. I think we have F-16s there now. We are able to deliver a punch. We can have the carriers based in Japan come up along the Korean coast, and they could launch attacks on North Korea, if provoked.

If the North Koreans know one thing, and I went up to Juche Tower, this tower they have in the middle of Pyongyang, and looked down, and the little girl guide said to me, "Do you realize, in the Korean War, the United States obliterated this whole place?" Now, I am supposed to feel guilt. I said to her, "Look, I was in the nose of a B-26 that flew from Seoul down to Pusan and Japan, and I looked out, and I saw the absolute destruction of South Korea all the way, every tree, every village smashed." We left it at that.

Chairman LANTOS. Thank you very much.

Mr. LILLEY. I had no sense of guilt.

Chairman LANTOS. Thank you very much. Congressman Payne.

Mr. PAYNE. Thank you very much. Good to see both of you, and, Mr. Perry, remember our troop to Goma, Lake Goma, when the cholera took over and the 2 million—

Mr. PERRY. I remember it very well.

Mr. PAYNE. I left Rwanda after the genocide, and I have always admired the work that you have done, and it is good to see Ambassador Lilley. I also agree that the talks with North Korea were very helpful, and you have already laid out where they could have been and where they are as a result of the talks. We have this new policy: Do not talk to certain people. We cannot talk with Syria. We cannot talk to Iran. I think it is a bad policy.

I also agree with Ambassador Lilley that, you know, you talk about Most Favored Nations status with China. Then we went in and gave them permanent trade relations. That is even worse. This is in there, and, I think, if we had not given China permanent trade relations, we could have had some real leverage over them, and I think we need to revisit that, the way China is behaving in Sudan and dropping all kinds of human rights conditions for loans to countries in Africa. I think that China could be very destructive in the future.

And also, Mr. Hoover, Ambassador Lilley, waited a little while before—you know, that starvation had gotten pretty bad in the Ukraine before we really laid the line down. I think Ukraine was one of the worst genocides that really went on at that time.

Also, on the Asian Communists, too, I certainly agree that many of them were just fighting against the imperialists and colonization, and that was a big difference, where, in Eastern Europe, it was just under Soviet domination. But the countries were fighting against the French in Vietnam, and I think a lot of our support for our allies, the NATO countries, even in Africa and in Asia, pushed many countries to Communists, where they were really, I think, freedom fighters or national liberation movements and that kind of thing.

However, I do have a question. The business—and I hope we have a hearing sometime on China and where we are going. Are they going to be our friends? We have our business people that have a love fest going with them. We have some of our defense people who are saying, you know, they are building up a Navy. They are starting to go up into space. I think we need to make a decision on, are we love with China, or are we going to hate them, because we really get such crossed signals that it is confusing, I think, and it is going to get worse in the future.

Just this question: With the population of South Korea aging, like everywhere else, and the younger people not having the same feel toward the United States that defended South Korea and held it from being overrun by the Communists, the older people being very pro-United States—I think you touched on it a little bit, but if you could tell me, where do you think we are going in the future because the younger people, even though they have not had the direct relation, seem to be more sympathetic to North Korea than the older people who remember what the United States did to prevent

South Korea from North Korea? And it seems, in opinion polls, that the younger Koreans in the South have a stronger feel and not are as anti-North Korea and almost some anti-United States.

So, as time goes on, how do you see that playing out, since, I guess, older people will be less and less, and younger people will be more and more, both of you, if you would?

Mr. PERRY. That is a very good question, Congressman Payne. I agree with your observation that there is a big difference between the older and the younger people, in terms of their view of the United States. I believe that the younger ones can be won over, particularly as they get a little older. And I observed that the people that I worked with when I was the secretary, the ones in their thirties and forties who were in the Government of South Korea then, in their college days, had been leading the demonstrations against the United States, and they changed.

When I was over there on my last visit to South Korea, I met with this younger generation. I had a special meeting of the people, of the firebrands, who were very much anti-U.S. and I have the same view about them. They can be won over, too.

One of the things we are doing to help on that is removing the aggravation of having all of our troops in the middle of Seoul. I think that is a very positive action.

Secondly, if we can get going solidly on the negotiations with North Korea, that, I think, would make the biggest difference. We want to do that for our own reasons alone, but I think it would also very much help the relationship in South Korea.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I am not trying to belittle in any way the so-called anti-Americanism in South Korea, but when I arrived in South Korea in 1986, I was burned in effigy before I arrived. There were probably about 20,000 or 30,000 people in the square, and the South Korean police, in their Darth Vader costumes, pushing them back. All of that continued in the summer of 1987, we went through huge demonstrations that were against the government and against the United States.

So all I can say is this has been around for a long time. My predecessor in Korea wrote, I think, 10 cables saying, anti-Americanism, this is the end, and, of course, it was not.

There will be elections in South Korea in December of this year. The leading party in the polls is the conservative party; the opposition party—it is the GNP. The polls are all in their favor. We see the spectaculars, but there seems to be a body of people that are voting in—I guess I should not use this—in a responsible way. I would agree with Secretary Perry in the sense that one of the firebrands, when I was in Korea, is now the head of the ruling party.

You find this happening in Korea. It is an evolutionary process. You have got to eliminate the things that are causing real friction and then get on with the fact that, still, an awful a lot of South Koreans migrate to the United States. The communities here are large, and the church plays an important role in stabilizing South Korea.

Chairman LANTOS. Thank you very much. Congressman Costa.

Mr. COSTA. Thank you, Mr. Chairman, again for this level of expertise testimony that we are having this afternoon. It is very, I think, informative for all of us.

As I listened to the two witnesses testify about a history of policy that has gone on now for five decades-plus, through both Democratic and Republican administrations, I am mindful of the fact that if the judgment for success is that South Korea has been a viable democracy and a successful economy, then, by and large, notwithstanding whatever mistakes have been made, it has worked, more or less.

I think we are in the long haul as it relates to North Korea, as we have been over the last five decades, and I am wondering about what information you might enlighten us with regards to the stability, given the current regime and its history from father to son. You have laid out several scenarios this afternoon as to what if, as we look down the road.

The successor from father to son, I think, was pretty clear, but what happens if he is to be either toppled or has health problems? What would be, in your view, the reaction? Could the government, in some fashion, still, with the military, stand in some way? What are your thoughts as to after the current ruler is no longer there?

Mr. PERRY. I believe that, unfortunately, the present regime is stable; that is, through their control of information and through their secret police, they maintain very adequate control of their country. I do not expect to see a Romanian- or Albanian-type popular overthrow of the government there.

What you could see is a coup. With the passing of Kim Jong Il, you could see a coup of some sort or a military push, which brought, among the people who are contending to succeed him, there might be a competition as to which one. This would not, I think, bring about a fundamental change in our relationship with North Korea. It would be another one of the same. Ambassador?

Mr. COSTA. Ambassador?

Mr. LILLEY. I would agree with Secretary Perry that NK control is formidable, and you do not see the major cracks coming, but there are minor cracks: The refugees that are coming out, and, as the chairman knows very well, when the refugees come out, the regime begins to sink.

The Chinese are watching the refugee flow, and they are sending enough refugees back to North Korea to keep the North Koreans placated at the same time they are shipping them over to South Korea. The refugees are a real problem because they really have been brought up in this hothouse atmosphere where they cannot do anything.

But the real control that Kim Jong Il has, despite the fact that his sons turned out to be a mess—the oldest one, you know, got caught in Japan on a false passport trying to get into Disneyland. It is something out of a bad movie, but his control over the elites, the military, the Korea Workers Party, is very strong, and it is done in terms of coercion, and it is done in terms of buying them off.

He has got all of these palaces, the Remy-Martin, the lovely Korean ladies. All of these things are available to them. They live on top of the world, a million, 2 million of them, and if they did not

have this, they would be shining shoes in Seoul because they have no talents to do anything except kill and create a military-industrial enterprise.

So I am saying that I agree, but there is no reason to give up on this because you are beginning to get into them: Gaesong, the cross-border between China and North Korea. You are beginning to get signs that the economy is not working, and they have to change. You get this from middle-level bureaucrats.

So you see some of the seeds are there, but we cannot jump in and say it is going to change quickly. No. That is not going to happen.

Mr. COSTA. So you see the ruling class able to continue the status quo for—

Mr. LILLEY. They have got a vested interest in doing that, but, again, the intelligence is not good, and in a fragile situation like that, we could all be very surprised that something could happen suddenly, but all of the signs are it is not happening.

Chairman LANTOS. Thank you very much. I know, gentlemen, I speak for every member of this committee and, I think, for the American people, that we are extremely lucky to have the two of you willing to give many years of your life to public service. This has been an extraordinarily valuable and analytical presentation, and we are in your debt. Thank you very much.

Mr. CHABOT. Mr. Chairman, before you bang the gavel, and I apologize, I just wanted to echo what the chairman said. Having been to North Korea twice, not professing to be any kind of an expert, I was listening to your testimony from the TV, and I just want to say thank you both so much for everything that you do and for being enlightening to us.

Secretary Perry, I had the honor of traveling with you when you were defense secretary, and my opinion of you was great then, and it is as great today. Thank you.

Ambassador, thank you for all of your good work. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you for your comment. This hearing is adjourned.

[Whereupon, at 3:55 p.m., the committee was adjourned.]



NORTH KOREA: THE FEBRUARY 13TH AGREEMENT

WEDNESDAY, FEBRUARY 28, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1:30 p.m. in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. Let me first extend my apologies to our distinguished witness, but, as you know, we were voting on the Floor. Let me extend my apology because in a few minutes there is a bicameral, bipartisan leadership meeting at the White House, and later I will need to go there.

The Six-Party deal announced in Beijing 2 weeks ago represented an all-too-rare victory for diplomacy. Too often, the wise words and sound counsel of America's top diplomats have been drowned out by the strong unilateralist voices echoing through the hallways of the White House. Through skillful diplomacy and compromise, the Beijing Agreement has the potential to kick-start the long and arduous process of de-escalating tensions on the Korean Peninsula.

Henry Kissinger once wrote:

"The crisis does not always appear to a policymaker as a series of dramatic events. Usually it imposes itself an exhausting agenda of petty chores demanding both concentration and endurance."

Our distinguished witness, Ambassador Christopher Hill, has had no shortage of concentration or endurance as he has engaged in the often painful and frustrating process of negotiating with the North Koreans. I know, because I have done it myself.

Thank you, Mr. Ambassador, for working so hard and so successfully to bring about this agreement, and for your extraordinary service to our nation.

To be sure, the February 13 agreement is not a panacea for the North Korean nuclear threat. The success of the deal is entirely dependent—and I want to repeat this and underscore it—entirely dependent upon the good intentions of the North Korean leadership, good intentions which have been in remarkably short supply in Pyongyang during the Six-Party discussions.

The first 60 days of required actions under the Beijing Agreement are clear and measurable. But beyond the first 2 months, I

am concerned that North Korean obfuscation might work to undermine the effectiveness of the denuclearization agreement.

What will happen if the North Koreans fail to provide us with a complete list of all their nuclear activities? Who will verify the list? If the list falls short, will Pyongyang continue to receive the fuel assistance it has been promised?

We must also recognize that the Beijing deal is not comprehensive. The critically-important issues of destabilizing missiles, human rights, democracy and refugees have yet to be tackled. As I have made crystal clear in all my discussions with the North Koreans, the United States and the Democratic People's Republic of Korea can never have a fully normal relationship absent progress on these important fronts.

With these reservations aside, it would be profoundly unwise not to recognize the enormous significance of this deal. Having traveled and spent two very fascinating periods in North Korea, I am convinced that there is no silver bullet. There will never be a one-time comprehensive peace and denuclearization agreement with North Korea. We will only achieve these objectives through a painful step-by-step, verifiable process in which all sides dig out from the decades of mutual distrust and misunderstanding.

For that reason, I am particularly pleased that Secretary Condoleezza Rice has agreed, in principle, to meet her North Korean counterpart in Beijing in April to discuss implementation of the agreement. And it is very positive that our two countries have agreed to establish a working group to focus on the normalization of relations.

Given the decades of hostility between the United States and North Korea—and North Korea threatening nuclear and missile tests—it would be folly to believe that normalization will come quickly or painlessly. But this process of determining the right sequence of events that could lead to normalization must begin, and it must begin now.

Mr. Ambassador, you have been beaten bloody by some in this town since your return from Beijing because of the similarities between this deal and the 1994 agreed framework. While there are differences between the two agreements, one cannot escape the fact that the North Koreans will receive significant quantities of fuel oil in exchange for nuclear concessions.

It is important to remember that the much-maligned Agreed Framework stopped nuclear fuel production at the Yongbyon facility for more than 8 years, fuel which could otherwise have produced dozens of additional nuclear weapons. If the deal you have negotiated in Beijing has a similar impact, you, Mr. Ambassador, should be extremely proud of it.

As we look toward implementation of the Beijing Agreement, we must not be naive. It is possible that Pyongyang made this deal to get Beijing off its back, and to give itself breathing space to further develop its destabilizing nuclear and missile programs.

In a land of few good policy options, a promising diplomatic accord is indeed a welcome development. So I congratulate you, Mr. Ambassador, on a job exceptionally well done.

Let me now call on my good friend and distinguished colleague from Florida, the ranking Republican member of the committee, Congresswoman Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you, Ambassador. We are so pleased to welcome you—you are one of our nation's most distinguished diplomats—to our committee. We look forward to hearing an account of the recent negotiations at the Six-Party Talks in Beijing which produced the February 13 agreement.

We all share a desire for a comprehensive and verifiable solution that will leave the Korean Peninsula free of nuclear weapons. With roughly 30,000 United States military personnel still stationed in South Korea, that nation's security and that of the region as a whole is vital to United States national security interest.

However, I and other members have a number of concerns regarding this agreement. Several of the provisions include the shutting down and the sealing of the Yongbyon nuclear reactor, the conditions and limitations regarding the return of the IAEA personnel for monitoring and the provision of the equivalent of 50,000 tons of heavy fuel oil.

These are echoes of the 1994 agreement signed by the Clinton administration. In that agreement, North Korea pledged to freeze and eventually dismantle its nuclear weapons program. However, in 2002 North Korea admitted to operating a secret nuclear weapons program in violation of the 1994 agreement.

Yesterday, the mission manager for North Korea in the Office of the Director of National Intelligence disclosed during a Senate hearing that North Korea had acquired material sufficient for a production scale capability of enriching uranium, in violation of agreements to disarm.

Given this record, what has changed that has convinced you and the administration that the North Korean regime will abide by its commitments in the February 13 agreement? Concerns have been raised that a new agreement would merely seek to temporarily delay further North Korean activity rather than focusing, as we did with Libya, on full, permanent and verifiable disarmament.

There are a number of additional issues that were not adequately addressed in this agreement. Pyongyang's continued transfer of missile technology to South Asia and the Middle East remains of great concern for Members of Congress.

Press reports that Iranian so-called observers were present at North Korea's missile launches last July raised troubling questions regarding the continued proliferation of missiles expertise to that country and others. Is this a subject you intend to address in these negotiations?

Then there is North Korea's continuing counterfeiting of United States currency. The Treasury Department, under the Patriot Act, Section 311, imposed sanctions in 2005 against the Macau Bank, which was designated as a primary money laundering concern.

This was the result of bank officials' acceptance of North Korean deposits involving counterfeit United States currency and other illicit activities. As you are aware, counterfeiting of other nations' currency is widely recognized as an economic act of war.

However, it now appears that an understanding was reached in either Berlin or Beijing whereby these sanctions will soon be lifted. This appears true even though Pyongyang has not stopped counterfeiting United States currency. What assurances do we have that North Korea has stopped or will stop this assault on our financial system?

We are also concerned about reports that the United States pledged in Beijing to begin the process of removing the designation of North Korea as a state sponsor of terrorism. I would note that in 2004 at a press conference Ambassador Black, then the State Department Coordinator for Counterterrorism, made the following pledge: "We will not expunge a terrorist sponsor's record simply because time has passed."

Given that there is little evidence that North Korea has abandoned its long-established policy of supporting terrorism, I would appreciate your explaining why the United States is making such an offer to the North Korean regime.

As we are all aware, the State Department's list of state sponsors of terrorism has taken on a new and greater significance following the tragic events of September 11. Clearly it should never be used as a bargaining chip in a diplomatic settlement.

Then there is the problem of the unresolved fate of the Japanese citizens abducted by North Korean agents over several decades. Ambassador Black stated that we are pressing the North Korean Government to resolve this, so it is important to us, and I think it is a part of our concern of North Korea being on the state sponsor list.

He also made a public commitment to the government and the people of our ally, Japan, that their abductees would not be forgotten in resolving terrorist questions with North Korea, but there is an understandable concern in Tokyo that these and other issues important to Japan have been ignored due to the desire to rapidly close a deal with Pyongyang.

Perhaps the most important unresolved subject is that of verification. We are all aware that the verification provisions in the 1994 agreement were so inadequate that North Korea was for many years able to develop and operate a secret nuclear weapons program.

Clearly, only vastly more effective verification measures can provide any confidence that North Korea is in fact living up to its commitment. Without such independent verification, any agreement is little more than a piece of paper.

As you can see, Mr. Ambassador, there are many issues that need to be addressed, and you know them as well, such as the fate of the highly enriched uranium component of Pyongyang's nuclear program, before any agreement with North Korea can be finalized.

On that point, I noted with interest today's story in the *Washington Times* that according to a State Department official, North Korea's chief negotiator, the Vice Minister of Foreign Affairs, is expected to arrive in the United States tomorrow to begin negotiations on normalizing relations between the United States and his country, among other issues.

Do you anticipate the establishment of diplomatic ties before the principal outstanding disagreements are fully resolved, or is that to come only at the end of the process?

I will end my list here and address these additional questions later. Ambassador Hill, I am certain that we all agree that a partial agreement that would allow North Korea to again evade its responsibilities as it did under the 1994 agreement is not the answer.

Instead, what is needed is a comprehensive and lasting solution to North Korea's nuclear and missile pursuits which are a threat to United States national security interests and a threat to global peace and security. This means nothing less than a complete verifiable and irreversible dismantlement of North Korea's unconventional weapons program.

Thank you, Ambassador Hill, for your indulgence, and I thank the chairman for the time.

Mr. FALEOMAVEGA [presiding]. I thank the gentlelady for her eloquent statement and as our senior ranking member of this committee.

I also want to thank Chairman Lantos for seeing that this hearing should be brought to the full committee level simply because of its urgency and importance, especially in defining what our foreign policy should be toward this important region of the world.

Mr. Secretary or Mr. Ambassador, I don't know which. I call you both Mr. Ambassador and Mr. Secretary. At any rate, I would ask for your forbearance. We will have some opening statements that need to be made, and we will then proceed for your statement.

Mr. Secretary, first and foremost I want to commend you for your recent success in formalizing the agreement with North Korea. It is my understanding that the initial phase of this agreement will include a 60-day timetable in which North Korea will freeze its plutonium installations, invite back the International Atomic Energy Agency, discuss with the six parties a list of its nuclear programs and begin bilateral talks with the United States aimed at moving toward full diplomatic relations.

The United States will also begin the process of removing North Korea from the U.S. list of state sponsors of terrorism.

In exchange, North Korea will receive 50,000 tons of heavy oil, and in the next phase, to be determined after March of this year, North Korea will receive up to 1 million tons of heavy oil.

While I applaud this progress, we can also agree that the next phase will represent some more obstacles because there is no timetable or deadline, and it is unclear whether North Korea will come clean about its secret highly enriched uranium program which it started with assistance it received from Pakistan.

What about Pakistan? The United States continues to subsidize Pakistan's military at about \$80 million per month, which is roughly equal to one-quarter of Pakistan's total defense expenditures, yet for over 30 years North Korea and Pakistan have engaged in conventional arms trade, and then last year General or President Musharraf admitted that Pakistan, I believe through Mr. Khan, transferred nuclear technology to North Korea and other rogue nations.

What does a Pakistan-North Korean alliance mean for India, and what assurances do we have that the United States' assistance to Pakistan is not escalating North Korean nuclear build-up?

Given North Korea's longstanding denials of having a highly enriched uranium program, do we have any assurances that North Korea would admit to and disclose the details of such a program? If not, are we really making progress?

If we are not making progress, what does this mean for Japan, given that it is not a permanent member of the United Nations Security Council and does not have the nuclear capability to defend itself if and when North Korea chooses to target its neighbor, especially in this part of the region of the world.

Furthermore, if the United States is preoccupied with Iraq, will the United States defend Japan at all costs, or will Japan have to go nuclear to protect its own interests? If Japan does go nuclear, what are the implications toward other countries of the region, especially China?

I note with interest, Mr. Secretary, that former Ambassador to the United Nations, Ambassador Bolton, was quite critical of the results of our six nation talks, and I suspect Secretary Rice may have had to go through several loopholes within the administration to get this agreement approved.

Now that the administration has agreed to hold consultations I believe—correct me if I am wrong—with both Syria and Iran it just simply appears to make it consistent in terms with the administration's efforts to go multilateral rather than unilateral as what we have done with Iraq.

I have a couple more questions, and I do have some questions I will raise later, but I do want to again welcome you, Mr. Secretary, for doing an outstanding job in the latest development of these negotiations that have been going on for quite a while.

I will now ask my ranking member of our Subcommittee on Asia, the Pacific, and the Global Environment, my good friend from Illinois, Mr. Manzullo, for his opening statement.

Mr. MANZULLO. Thank you very much, Chairman.

Ambassador Hill, it is good to see you. We have talked in our office several times, and I am glad that you came back with something this time and really appreciate the tremendous work you have been putting into this.

Denuclearization of the Korean Peninsula is an issue that we all take very seriously, and I wanted to emphasize my complete and full support for the administration's efforts to achieve success at the Six-Party Talks. I am very pleased that the United States is joining five other countries in the process.

China's role in urging Pyongyang to abandon its nuclear ambitions is extremely important. Maintaining the support of our allies, particularly Japan, is also vital going forward, so I am hopeful that this agreement is a viable first step.

Having said that, I wanted to express my concern that the agreement does very little to halt the proliferation and other illicit activities being conducted by the DPRK. North Korea remains one of the most serious proliferators of missile technology.

The Proliferation Security Initiative was established to counter Pyongyang's dangerous actions. Again, there is no evidence that

Korea has suspended or halted its proliferation activities while negotiating with the United States.

I won't read the rest of my statement. I will just state that I am glad that you are here. This is obviously a first step, and I know that you will be touching on the other issues in my opening statement.

Mr. FALEOMAVEGA. I thank the gentleman from Illinois.

I now have the honor to allow our distinguished chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade, and that is the gentleman from California, Mr. Sherman, for his opening statement.

Mr. SHERMAN. Thank you, Chairman Faleomavaega. As you know, these hearings were going to be joint hearings of our two subcommittees. I commend the chairman of the full committee for raising this to the highest level our committee can, given its importance.

North Korea is not nearly as ambitious as some other rogue states. It hasn't sought to influence world events. It seems bent on regime survival, but that doesn't mean that North Korea's possession of nuclear weapons is something we should accept calmly.

The theory I put forward is that they will keep the first dozen nuclear weapons they can build. I guess they need a thirteenth to test. They have already done that. After that, the next one goes on eBay. I commend your efforts to try to bring CVID to the Korean Peninsula.

This deal is kind of back to the future. It looks the same as 2002 with two notable exceptions, one bad, one good. The bad exception is North Korea now has more nuclear weapons than they had in 2002, and they have tested one. The seemingly good news is that under this deal North Korea gets less cash than certainly their interpretation of the deals in 2002 and before.

The amount of aid that we are to provide under the initial stages of this deal are relatively modest. That may, however, be illusory because I believe that in addition to the aid required under this agreement that China will provide aid in addition and beyond, and South Korea will as well.

We will have to see ultimately what level of aid North Korea gets for halting a program in 2007 that had previously been halted in 2002 and then got a 5-year new lease on life. The big issue, as it was in 2002, is North Korea's alleged parallel nuclear program; that in addition to their plutonium plant at Yongbyon that they may very well have a highly enriched uranium centrifuge driven bomb program. They admitted it. Then they denied it.

I would sure like to hear Secretary Hill tell us whether they have such a program, and I am sure we look forward to a definitive statement issued under this agreement by North Korea as to whether such a program exists.

Given that North Korea is perhaps the most secretive regime on the planet with the most underground tunnels of any nation, I am by no means sure that we would know that they had an HEU program even if they did, and our best evidence that they had one was that they admitted it.

Finally, we all look forward not to just this agreement, but the elimination of all nuclear weapons on the Korean Peninsula. To

achieve this, we need China to do more than they have done so far. Right now China balances on the one hand their interest in Korean stability and a little bit of extra interest in tweaking us now and then and on the other hand their own interest in a nonnuclear North Korea.

Often the first hand has outweighed the second, and I look forward to hearing from the Secretary what we can do to change our China policy or in some other way change the relationship and balance between those two hands so that China uses a nonnuclear North Korea as their primary objective on the Peninsula.

I yield back, and thank you.

Mr. FALEOMAVAEGA. I thank the chairman.

We now have our senior ranking member of the Subcommittee on Terrorism, Nonproliferation, and Trade, the gentleman from California, Mr. Royce, for his opening statement.

Mr. ROYCE. Thank you, Mr. Chairman.

Yesterday in Afghanistan, the first Korean soldier died on that battlefield in the war on terrorism, along with a United States soldier, his colleague. I offer condolences to the families.

Mr. Chairman, I thank you for this hearing. As others have said about this agreement, it is just a beginning. It is a beginning of a process that may lead to where we want to go, or it may not. It is too early to celebrate. It is too early to condemn.

One certainty though is that it has been advantageous to have partners, four other nations, who are jolted by North Korea's missile tests and nuclear detonation. That has helped bring the international community together here.

This process' goal must be to see that North Korea abandons—and I am going to read from Security Council Resolution 1718—"all nuclear weapons and existing nuclear programs in a complete, verifiable and irreversible manner."

The administration used to refer to the Libya model when discussing North Korea. Under the February 13 agreement, though, it is unclear what is to be done with North Korea's nuclear stockpile. Other key questions are unanswered. Some have suggested that other countries view this agreement as about containing more than eliminating North Korea's nuclear program.

I am concerned about the administration's apparent de-emphasis of its concerted effort to combat North Korea's illicit activities that we began in 2003 in a serious effort, and this includes anti counterfeiting efforts.

North Korea, with its counterfeiting, is prosecuting economic war against the United States. Having used financial pressure to get North Korea back to the table, which is North Korea's admission, we are now looking to "resolve" the Banco Delta Asia issue, relieving that pressure. Law enforcement efforts against North Korean illicit activities should in no way be compromised.

Another area where we should give no quarter is on the issue of human rights. Tomorrow the Asia Subcommittee will hear from the President's Special Envoy for Human Rights in North Korea. He refers to the situation in North Korea as an Asian Darfur.

Human rights aren't so disconnected to me. The North Korean human rights horror is central to today's issue because the pros-

pects for successful nuclear resolution would be much better if we were not dealing with such a brutal regime.

I am pleased that the administration is providing more resources for radio broadcasts into North Korea aimed at liberating North Koreans. In 2005, President Bush said this about North Korea: "They counterfeit our money, and they are starving their people to death." His words are worth remembering.

Thank you again, Mr. Chairman.

Mr. FALEOMAVEGA. I thank the gentleman from California.

Now I would like to ask the chairman of the Middle East and South Asia for his opening statement. I am constrained that we have to limit 1 minute to the rest of the members of the committees for the sake of Secretary Hill's presence and time here.

Mr. Ackerman?

Mr. ACKERMAN. Thank you. Well, three cheers for negotiations, Mr. Chairman, and congratulations to Assistant Secretary Hill for getting us to this point. I am just sorry it has taken so long for us to get there.

Your predecessor under the same administration testified before this committee a few years ago when we walked away from the table and laid down all sorts of demands as to how we would get back to the table. As many of us warned, that proved to be non-doable, and we have now come full circle to the point where it looks like we have the makings of something that makes a great deal of sense.

Let us review the bidding. North Korea promises to shut down and seal the Yongbyon facility, allows access to IAEA inspectors and disclose all of its nuclear programs. We begin the process of removing Pyongyang from the state sponsor of terrorism list, begin terminating the application of the Trading with the Enemies Act and begin bilateral discussions with the goal of diplomatic recognition. In the meantime, North Korea gets 50,000 barrels of heavy fuel oil.

It sounds like a pretty good deal, and it sounds like a pretty familiar deal as well. I think we can't be anything but pleased by—how shall I put it—the Agreed Framework announced in Beijing 2 weeks ago, the first 60 days of which look pretty solid, but I wonder how long it will be before North Korea goes back to the foot dragging and hypersensitive objections that they have expressed in the past.

And I wonder how our friends in Beijing will respond when we get to the point that North Korea decides not to freeze its plutonium reprocessing or let in the IAEA inspectors or disclose all of its nuclear activities. I wonder where that would leave us.

I think that we are off to a reasonably good beginning, and I hope, Mr. Secretary, that you will be able to continue to build on this process and hopefully share with us what happens when all that oil runs out.

Do we just begin the process of walking away and they walk away and demands start all over again and it goes on forever like that or what?

Thank you.

Mr. FALEOMAVEGA. The gentleman from Arizona, Mr. Flake, for 1 minute.

Mr. FLAKE. I won't take a minute, but I just want to say congratulations. I know there has been a lot of hard work done on your part and the part of the whole administration so thanks, and I look forward to hearing your comments.

Mr. FALEOMAVAEGA. The gentlelady from California, Ms. Watson.

Ms. WATSON. I just want to also repeat congratulations and thank you for bringing somewhat of an agreement. The questions have already been asked, and I look forward to your answers. Congratulations on a job well done.

Mr. FALEOMAVAEGA. The gentleman from Indiana, Mr. Pence.

Mr. PENCE. Thank you, Mr. Chairman.

I am delighted to welcome the Assistant Secretary to this committee. I am grateful for your service to the nation and anxious to hear your presentation today both with regard to this negotiated agreement in Beijing, but also with regard to the ongoing relationship with North Korea.

I would hope, as some news organizations this morning are reporting our intention to normalize ties between the United States and North Korea, that we would at least create as high a hurdle for North Korea as we did for Libya. Libya completely renounced terrorism, made reparations, transparently dismantled their weapons program.

I would like to hear Ambassador Hill's comments on our ongoing relationship and what criteria that might be, but I welcome you, and I thank you for your service to the country in this regard.

Mr. FALEOMAVAEGA. My good friend from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

I, too, want to congratulate you, Ambassador Hill, for the excellent job you have done on this. This is a great step going forward. I do believe that we have some very, very serious questions I think which deserve some answers here.

I think foremost, of course, in the first phase critical is the 50,000 tons. Is South Korea the entity that is going to pay for that? How much is that, for example? What is there to make sure that North Korea continues and if they backtrack? Also, the North Korean Government is a very secretive government. What guarantees do we have that we could really trust them?

Secondly, this is six parties. What about the Russians? What are the Chinese and what are the Japanese bringing to the table?

I look forward to your testimony and again thank you for a job well done.

Mr. FALEOMAVAEGA. It is with pleasure that I introduce our distinguished witness this afternoon, Ambassador Christopher Hill, now Assistant Secretary of State for East Asian and Pacific Affairs.

I have known Secretary Hill for many years and regard him as one of our country's wisest and most skillful diplomats. Throughout his outstanding career with the Foreign Service he has successfully grappled with some of our most difficult diplomatic challenges, including the Bosnian peace settlement that brought that bloody conflict to an end.

For the last 2 years he has worked tirelessly with our partners in the Six-Party process and talks—the People's Republic of China, South Korea, Japan and Russia—to try to resolve the North Ko-

rean nuclear crisis and bring peace and stability to the Korean Peninsula.

Ambassador Hill, welcome to the committee, and thank you for coming and for your patience given all the problems that we have had with the votes this afternoon. We look forward to hearing from you in view of the latest developments in North Korea and that you recently broached in Beijing and the next steps to resolve this dangerous dilemma.

Please proceed, Mr. Secretary.

STATEMENT OF THE HONORABLE CHRISTOPHER R. HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador HILL. Thank you very much, Mr. Chairman. Let me first ask. I have a statement that I would like to submit to the committee for the record.

Mr. FALEOMAVAEGA. Without objection. Your statement will be made part of the record.

Ambassador HILL. Thank you.

Mr. Chairman, distinguished members of this committee, thank you very much for inviting me here today. It is an honor to appear here for the first time in the committee in the new Congress. I have enjoyed working with the members and staff of the committee in the previous Congress, in fact, when it had the name the House International Relations Committee; and I very much look forward to working with the House Foreign Affairs Committee in this new Congress.

Mr. Chairman, I am pleased to report to you that I took an interagency team to Beijing on February 8, an interagency team that consisted of members of the National Security Council staff, members from the Office of the Secretary of Defense, from the Joint Chiefs of Staff and also from the Department of Energy, and we spent some 5 days in Beijing. I am pleased to report that we have made some progress in this effort.

The agreement that we reached in Beijing is an important first step, but I want to emphasize—indeed, I would like to echo many of the comments that the members of the committee have made—that it is a first step, but only a first step toward what we are seeking to accomplish, which is the complete denuclearization of the Korean Peninsula and the establishment of a more stable, more peaceful and prosperous Northeast Asia.

We believe that we are fulfilling the President's objective of approaching this problem diplomatically. We are approaching it multilaterally because this is not just an American problem. This is a problem involving all of North Korea's neighbors and I would argue many other countries in the world as well, and this is a problem that we want to approach peacefully.

In September 2005, we achieved a Joint Statement of Principles. The six parties achieved a joint statement, and in that joint statement the DPRK, that is North Korea, committed to abandoning all of its nuclear weapons and all of its existing nuclear programs.

The February 13 agreement, in our view, is an important initial step in that direction. That is, we have laid out what the goal is, and we have now taken a step toward that goal. Our approach is

broad in scope, and we have a comprehensive vision that seeks a lasting solution to the problems of nuclear weapons by addressing a wide range of economic and security and political issues.

The agreement commits all six parties, and that is I would say a key difference to some previous bilateral agreements that we had with North Korea. It establishes tight timelines for actions that are measured in months; not in years, but in months.

In this first tranche of initial actions that is within 60 days, North Korea has agreed to shut down and seal for the purpose of eventual abandonment the Yongbyon nuclear facility. This is the facility that is producing plutonium. This is the only facility in North Korea today that is producing plutonium and so they have agreed to shut it down and seal it for the purpose of getting rid of it, of abandoning it, in this next 60 days.

The DPRK has also agreed to invite back IAEA personnel to conduct all necessary monitoring and verification that in fact the plant has been shut down, that is the reactor and the reprocessing facility have been shut down, and already there have been contacts between the Pyongyang and IAEA Chairman el Baradei in Vienna to begin this process of getting the IAEA back into North Korea.

In addition, the North Koreans have agreed to discuss with the other parties in the Six-Party Talks, a list of all of its nuclear programs, including the plutonium extracted from used fuel rods that must be abandoned pursuant to the joint statement.

So in these 60 days they have agreed to begin a discussion, and the purpose of this discussion is to lead to a declaration that would explain to us what all of their programs are and how all of those programs must be abandoned.

Now, we have agreed in return to provide some emergency energy assistance to the DPRK in this initial phase. The initial shipment of the emergency energy assistance is the equivalent of some 50,000 tons of heavy fuel oil, which will commence by the end or within the first 60 days of the agreement.

The six parties are also committed to establishing five working groups that will carry out these initial actions and will formulate specific plans for how the September 2005 agreement that is leading to the denuclearization of North Korea, how that agreement can be realized.

In addition, we have agreed to provide additional fuel oil in a follow-on phase, up to an equivalent of 950,000 tons, but this additional fuel oil that we have agreed to provide is conditional on the North Koreans agreeing to disable their entire nuclear program.

Now, we need to work out with them in the working group how they will disable this entire nuclear program. That is, with respect to the Yongbyon reactor they have agreed in the first phase to shut it down. They have agreed in this follow-on phase to actually disable it, make it so it can't just have the seals removed and be turned back on and the inspectors sent out of the country.

That is, they have agreed to disable the reactor and they have agreed to disable all of their nuclear facilities, so we are proceeding with the current 60-day approach, and then we have a clear idea of what the next phase will be.

Now let me mention what the working groups are going to be. The first is the Denuclearization of the Korean Peninsula. Now, in

that working group we need to work with the North Koreans on discussing their list of all their programs. All means all, and this means the highly enriched uranium program as well.

That working group will have the important task within the 60 days of discussing precisely what the North Koreans have for programs that would be listed in their declaration that they would make to the international community, a declaration that would be used as a basis for denuclearizing North Korea and bringing them back into the Nonproliferation Treaty. So that is what the denuclearization working group needs to do, and it also will need to determine precisely how the reactor will be disabled in the follow-on phase.

Secondly, we have two bilateral working groups. The first is the Japan-North Korea working group. Yesterday Japan and North Korea announced that their working group, which will aim at normalization of their ties, will begin on March 7, that is next Wednesday, and will take place in Hanoi.

The purpose is to address their outstanding issues, and from the Japanese point of view one of the key issues that they want to address is a mechanism for dealing with this very, very difficult problem of abductions; that is, Japanese citizens who were abducted in the late-1970s/early-1980s by agents of North Korea. Japan needs a resolution of this problem. They need a mechanism for dealing with it. That will doubtless come up in their bilateral talks.

In addition, there is a bilateral working group on United States-North Korea relations. This bilateral working group, we announced earlier today, will talk place in New York City on March 5 and March 6, that is Monday and Tuesday, and there we will begin the process of addressing our bilateral ties with the intention of eventual normalization.

I want to emphasize the word begin because we have a lot of bilateral issues we need to talk about. We have a lot of issues that are of concern to us. I am sure the DPRK will have issues that are of concern to them, but we have a lot of issues we need to bring out, and many of those the members of your committee have already mentioned.

So in addition to denuclearization and the two normalization working groups, there will also be a working group on Economic and Energy Cooperation, and here we will look to discuss North Korea's economic needs, its energy needs and in particular how the heavy fuel oil can be distributed, a schedule for doing this.

We know that this first tranche, that is this 50,000 tons of fuel oil, will be done by the South Korean Government alone, but in the longer term we have agreed with the South Koreans, with the Russians and with the Chinese, to share the burden equitably of economic and energy assistance for further tranches as we are able to move forward on denuclearization, so we will begin those discussions in this working group.

I would point out that one of the differences between this agreement and previous agreements is that in the 1990s the United States took on the burden of providing energy assistance to North Korea; it came out something on the order of 75 percent of the fuel oil that was given to North Korea pursuant to the Agreed Framework was given by the United States.

In this case, we will be doing it on the basis of 25 percent of fuel oil, and if Japan is able also to join this as their bilateral concerns are met, our percentage will be 20 percent of overall economic and energy assistance, and as other countries are invited to join in, as some other countries did in the 1990s, our percentage will be less than 20 percent.

Finally, the fifth working group has the name Northeast Asia Peace and Security Mechanism, and what we are trying to do with this working group is to address some of the broader problems that have made Northeast Asia an area of security tensions.

We would like in this working group to address the need for more multilateral mechanisms for dealing with conflict resolution. We would like in this working group to deal with some of the other problems that are not necessarily related to North Korea's nuclear aspirations; for example, its missiles. We would like to address some of the future arms control issues that need to be addressed in this part of the world.

There has been a lot of progress in Northeast Asia. In our lifetime it is truly remarkable what has happened in Northeast Asia, but what has not been progressed in Northeast Asia is enough of a sense of community, a sense of bringing countries together to work on problems unilaterally, and we hope that this working group—indeed, we hope that this Six-Party process—is a beginning in that effort.

Finally, let me stress that the fact that there are six parties in this overall framework that we are using, that fact is very important. We have five parties that are working together and watching to make sure that North Korea's commitments in the September 2005 joint statement are indeed fulfilled, and having these partners participating ensures that this approach is more robust than efforts that we have been able to do in the past because it provides stronger incentives to North Korea, but also stronger leverage to make sure that North Korea fulfills its commitments.

I know there is a lot of concern in this committee about whether North Korea will fulfill the commitments that it makes. We have addressed that in two ways. We have addressed that in having very short timelines, in the first phase a 60-day timeline. We have also addressed it by making sure that we have other guarantors that this agreement is fulfilled.

I would say one of the major guarantors that the agreement will be fulfilled is having China as the host and as really in many respects the most important participant in the Six-Party process.

I would say one of the benefits of this process for us has been in our development of a relationship with China. China has played a constructive role in this process. We have been able to harmonize with the Chinese not only the goals of this process, that is denuclearization of North Korea; we have also in many cases been able to harmonize with the Chinese our strategy for achieving these goals and even our tactics for realizing this. We are working closely with China. We feel ultimately this will be a very key factor in whether we are successful or not.

Our President has repeatedly said that if North Korea makes a strategic decision to denuclearize then much will be opened to

them. This is not to say that all our problems will be over, and some of your members of your committee have pointed this out.

We do have some real differences with North Korea that do go beyond denuclearization. We have problems in the area of human rights. We have many different problems. Those problems are ones that we need to talk to the North Koreans about and address in the context of a full normalization of our relationship.

So the denuclearization steps by North Korea that have been announced in Beijing on February 13 are really only the beginning of a commitment to denuclearization. They represent a first step. It is an important one. It is an essential one because we cannot get toward our goal without taking this step.

I come back from China to some extent feeling that we have been able to establish some momentum. I have had the very strong support of my Secretary of State. Secretary Rice was on the phone with me every single day while I was in Beijing, and on the last day Secretary Rice was up at 4:15 in the morning calling me at 5:15 in the afternoon to see how things were doing. I have felt very, very strong support here in Washington. We had a very strong interagency team.

As we go forward, I would like very much to work very closely with Congress to make sure that we can all be one team as we approach this problem.

Thank you very much, Mr. Chairman. I look forward to any and all questions.

[The prepared statement of Ambassador Hill follows:]

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER R. HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

NORTH KOREA AND THE CURRENT STATUS OF SIX-PARTY AGREEMENT

Chairman Lantos, Ranking Member Ros-Lehtinen, and distinguished Members of the Committee, thank you for inviting me to appear today. I would like to congratulate the members of the new committee; I have enjoyed working with the members and staff when it was called the House International Relations Committee and I look forward to working with newly named House Foreign Affairs Committee in this new Congress.

I am happy to say that we have made some progress since I last appeared before the House International Relations Committee last September.

The agreement at the most recent round of Six-Party Talks in Beijing is an important first step—but only a small step—toward the complete, verifiable and irreversible denuclearization of the Korea peninsula and the establishment of a more stable, peaceful and prosperous Northeast Asia. We are fulfilling the President's objective of approaching this problem diplomatically, multilaterally, and peacefully.

In the September 2005 Joint Statement, North Korea committed to abandoning all its nuclear weapons and existing nuclear programs. The February 13 agreement is an important initial step in that direction.

The current approach is broad in scope, with a comprehensive vision that seeks a lasting solution to the problem by addressing a wide range of economic and security issues. The agreement commits all six parties, a key difference from previous bilateral efforts. It establishes tight timelines for actions that are measured in months, not years. Within 60 days, the DPRK will:

- Shut down and seal for the purposes of eventual abandonment the Yongbyon nuclear facility;
- Invite back the IAEA to conduct all necessary monitoring and verifications;
- Discuss with the other parties a list of all its nuclear programs, including plutonium extracted from used fuel rods, that would be abandoned pursuant to the Joint Statement.

The Parties agreed to provide emergency energy assistance to North Korea in the initial phase. The initial shipment of emergency energy assistance equivalent to 50,000 tons of heavy fuel oil (HFO) will commence within the first 60 days of the agreement. The Six Parties also established five working groups to carry out the initial actions and formulate specific plans for the implementation of the September 2005 agreement—leading to a denuclearized DPRK and a permanent peace.

The working groups are:

- Denuclearization of the Korean Peninsula
- Normalization of U.S.-DPRK Relations
- Normalization of Japan-DPRK Relations
- Economy and Energy Cooperation
- Northeast Asia Peace and Security Mechanism

The details of the economic, energy and humanitarian (up to the equivalent of 1 million tons of HFO) assistance will be determined through consultations and assessments in the Economy and Energy Cooperation working group and will be commensurate with the steps the DPRK takes to fulfill its commitments, building on our commitment in the Joint Statement to take “Action for Action.”

An important aspect of this agreement is that it begins to lay out a path to complete denuclearization, not just a temporary shutdown of the reactor at Yongbyon. Under the agreement North Korea will discuss in the first 60 days a list of its nuclear programs that would be abandoned pursuant to the Joint Statement.

The fact that there are six parties is very important. We now have five parties aligned and watching to make sure that North Korea’s commitments in the September 2005 Joint Statement are fulfilled. Having these partners participating ensures that this approach is more robust—because it provides both stronger incentives and stronger leverage for fulfillment of North Korea’s commitments.

One of the benefits of the Six-Party process has been the development of our relationship with China. The new and highly constructive role of China as the convener of the Six-Party Talks is especially important, and our coordination with them in this area has been outstanding.

The Six-Party Talks have also become a useful mechanism for addressing regional issues, for example between North Korea and Japan. Our participation in these Talks is an important example of our commitment to the region and is also a sign of how seriously we take Northeast Asia’s security.

These multilateral efforts have had a stabilizing effect and reduced the negative impact in the region of the DPRK’s nuclear test last October. The very important alliances we have with Japan and the Republic of Korea are essential to maintaining regional security, but the Six-Party process also gave people in the region the sense that there was a mechanism to deal with this problem. Without that process we could have seen a much more dangerous counter-reaction in the region.

North Korea is well aware that it remains under Chapter VII UN sanctions. Today, UNSCR 1718 remains in effect, and North Korea understands that the international community will continue to fully and effectively implement the resolution. North Korea continues to face a basic strategic choice. There are political and material incentives on offer to North Korea, but it must fully denuclearize to realize the full benefits of those incentives. North Korea understands that it must abide by its commitments to receive these benefits.

The Banco Delta Asia (BDA) issue is being discussed on a separate track from the Six-Party Talks, managed by experts from the Treasury Department. In December and January, Treasury had two rounds of useful discussions with DPRK authorities, where the North Koreans provided information about BDA account holders. This week Treasury officials were in Macau and Hong Kong to discuss details of the BDA case. We are hopeful that this will help in bringing about a rapid resolution of the BDA case. Treasury advised the DPRK about steps it could take to avoid future problems, be less isolated in the international financial system, and eventually join international financial institutions.

The measures the U.S. Treasury Department has taken with respect to North Korean finances, specifically the designation of Banco Delta Asia in Macau as an “institution of primary money laundering concern,” clearly had a significant impact on the regime. These actions affected Pyongyang’s ability to access the international financial system and conduct international transactions as banks everywhere began to ask themselves whether doing business with North Korean entities was worth the risk.

Treasury is now prepared to resolve the Banco Delta Asia matter. But this will not solve all of North Korea’s problems with the international financial system. It must stop its illicit conduct and improve its international financial reputation in order to do that.

Once Treasury has concluded its regulatory action with respect to BDA, the disposition of the bank and of the funds that were frozen by the Macau Monetary Authority will be the responsibility of Macau, in accordance with its domestic laws and international obligations.

The President has repeatedly said that if North Korea makes a strategic decision to denuclearize, then much is open to them. The denuclearization steps by North Korea announced in Beijing on February 13 are only the beginning of their commitment to full denuclearization. While this represents a first step, it is an important one on the path towards our goal of a denuclearized Korean peninsula.

Thank you. I would be happy to answer your questions.

Mr. FALEOMAVEGA. Thank you, Mr. Secretary. We thought the statement most eloquent and certainly very comprehensive in terms of the recent experience that you have had with you and your associates in making this breakthrough as far as negotiations with the North Korean Government and officials.

Just a couple of quick questions. I think with all the rhetoric and with all the concerns initially, and I don't know. I call it a cultural nuance, a sense of respectability, and I am sure the North Korean leaders could have gone for years more even with the hardships that the people and the government leaders have gone through, but I am just curious if perhaps it was the unofficial bilateral negotiations that you went through with North Korea that really was the breakthrough, especially the efforts you have gone through, that has brought forth some light to the tunnel in this process.

Like I said, I am sure that they could have gone on for more years to come, but I suppose the question is, Why all this breakthrough? What seems to be the breaking point? I don't want to look at just economic needs. I think it is a lot more.

The Koreans are very sturdy people, if you will bear me out. I think they are willing to go to no end to sacrifice whatever is necessary, but I think the labeling that went on with some sense of disrespect I believe I think may have perhaps been the basis on which you were able to accomplish so much, even though the ideologies are quite different.

I just want to hear from you what was the turning point in the negotiations? Without question, China played a very pivotal role in the process. I was curious with that also in addition, but what really was the turning point in your opinion on how this whole thing came about?

Ambassador HILL. Mr. Chairman, first of all I would like to reiterate I think this is a good first step, so I am worried about using words like turning point yet on this.

I think we were able to achieve this first step through a combination of factors, and I think some you have already alluded to. One of the important factors was that in the wake of the very ill-considered decision by North Korea to launch missile tests in July 2006 and then to actually explode a nuclear device that the international community reacted with one voice. I think it really made very clear to the North Koreans how isolated their behavior had made them.

In particular, I think China spoke very clearly on this point, and the fact that China then supported us on a resolution at the U.N. Security Council, a unanimous resolution condemning the missile launch and then a second resolution which created a set of pretty tough sanctions, economic sanctions to try to deny North Korea the financing for these types of systems and the technology for these systems, that China not only joined us in the U.N., but began to

implement it on the border I think is something that got the North Korean's attention.

Now, I do believe that we have the right model. We have a multilateral model because we have to make it clear we alone, the United States, we can do a lot of things. We can go to the moon and back. We are not going to be able to solve this on our own. We need friends, allies, partners in this process.

So I think the multilateral, the Six-Party process is the right way to go, but embedded within that process we have an ability to speak bilaterally.

Mr. Chairman, I think that is very important because I don't know about you, but when I have sat in rooms with six people talking it is often difficult to get your point across. Sometimes it is good to get off into a separate room and have a very direct discussion.

So I look at these contacts not necessarily as an opportunity for some sort of separate negotiation. I look at these contacts as an opportunity to give very clear messages about where we stand.

I think having a multilateral process that identifies this problem correctly as a multilateral problem and then, embedded within it a bilateral context, is the way to go, and I am especially pleased that Japan and North Korea were not only able to meet in the Six-Party Talks in Beijing and have their own bilateral discussions in the middle of the Six-Party discussions, but have also now scheduled their bilateral working group because that is a problem, while not directly related to denuclearization, that needs to be resolved as well.

Mr. FALOMAVEGA. You had mentioned earlier and I was going to ask the question about their missile program in reference to the agreement or the framework of what you are planning on doing, but you did mention that it is ironic that they have been very successful in their missile program and that despite veiled threats I suppose from our own Government they went ahead and exploded the bomb.

That is just to show the character of the Korean people. They are not to be intimidated regardless if we are the most powerful nation in the world. They went ahead and exploded the bomb.

So now overnight they are willing to dismantle this, all the nuclear armament and the potential danger that they pose to the peninsula.

As you mentioned earlier about the missile program, is that part of the agreement that you are going to be working on as a working group with North Korea?

Ambassador HILL. Well, Mr. Chairman, we are committed to a step-by-step process, and what we want to do is address overall security problems in Northeast Asia and so we have set up a working group for this.

I think clearly we do need to address some of these missile issues. If you look at it from the point of view of Japan or South Korea, they are really in range of North Korean missiles.

The answer for the Japanese, now in range of these North Korean missiles, is that they have an alliance with the United States, that is we will respond if Japan is attacked. We will respond, but

certainly there will be people in Japan who feel that they need to have their own type of defense.

I think as China looks at this situation, the Chinese realize this is not a stable situation for the region. I would frankly argue that these missile programs and especially this nuclear program, these programs are not going to bring any security to North Korea.

I think quite on the contrary. They are going to reduce North Korea's security and help impoverish North Korea, so I think North Korea is much worse off for these programs. Frankly, I think if they can get out of these programs they can have a much better future.

Mr. FALEOMAVAEGA. Thank you, Mr. Secretary.

The gentleman from Illinois, Mr. Manzullo.

Mr. MANZULLO. Thank you, Mr. Chairman.

Ambassador Hill, I can't tell you how delighted I am to see you here at least glimmering with hope.

Ambassador HILL. It is spring training, sir.

Mr. MANZULLO. It is. As you recall, I think it was last summer you stopped by our office, and we talked quite at length about the difficulties and everything concerned in negotiating these settlements.

I have a question. I guess it is maybe in the timing. Perhaps the answer lay in the fact that you get what you can under the circumstances. Phase I talks about the dismantling of the plutonium nuclear installation at Yongbyon. I guess there is also a five megawatt nuclear reactor and plutonium processing plant there. That will be done within 60 days. I assume that the IAEA will be overseeing that?

Ambassador HILL. Yes.

Mr. MANZULLO. That is correct?

Ambassador HILL. Yes.

Mr. MANZULLO. Okay.

Ambassador HILL. We believe that the IAEA, as they work this out with the North Koreans, can have a system where they know that the plant is not in operation; that is, with the seals and the monitoring, television cameras, et cetera, they will know that the plant has indeed been shut down pursuant to this set of initial actions, and then they will also know that the reprocessing facility is shut down.

This of course doesn't solve our problem because already there are some, depending on which analysts you hear, 50 kilograms of plutonium already produced.

Mr. MANZULLO. That is my second question.

Ambassador HILL. Yes.

Mr. MANZULLO. Because the second phase that does not have a timetable calls for North Korea to make a complete declaration of all nuclear programs and a disablement of all existing nuclear facilities.

How does the IAEA get involved? Will they have the opportunity to travel freely throughout the country? How are you going to do that?

Ambassador HILL. Yes. What IAEA is being asked to do is monitor the shutdown of this Yongbyon facility, which according to our

best analysis is the only place that North Korea has been producing plutonium.

Mr. MANZULLO. Okay.

Ambassador HILL. The IAEA is not being asked at this stage to take possession of or be monitoring the some 50 kilograms of plutonium that they are believed to have produced.

By the way, the precise amount of plutonium they have produced is something that needs to be clearly stated in their declaration, so we will know whether it is 55 or 60. We felt, though, it is important to stop the reactor and stop the reprocessing so that a 50 kilogram problem doesn't one day become a 100 kilogram problem.

Mr. MANZULLO. So you freeze the production and then you go on to the next one.

Ambassador HILL. To stop it, yes.

Mr. MANZULLO. Is there a reason, Ambassador Hill, that there was no timetable established for North Korea to come up with its complete manifest of what they have?

Ambassador HILL. Well, we decided there is no timetable for the 950,000 tons of fuel oil either, so the quicker they disable their nuclear programs the quicker they give us a full list.

By the way, we want the list to be full more than we want it to be quick, but the quicker they do those things the quicker they will get their fuel oil, so if they can do this all in 6 months we would like to encourage them to do it all in 6 months.

We did not put a timetable. But I want to emphasize that in the previous arrangement that we had in the 1990s, and I would also like to say I am not critical of what was done in the 1990s—as someone who has negotiated things it is not easy, and you are dealing with a different time, a different agreement.

What we agreed to at that time was an annual amount of fuel oil, and it was an annual amount of fuel oil depending on what we would do; that is, we were making a light water reactor for them, and however long it took us we had to keep providing fuel oil.

In this agreement we are providing fuel oil on the basis of actions that they are supposed to take, so if they don't take them we don't provide fuel oil so we are not committed to providing fuel oil over the years. We are committed to a total amount, together with our partners, provided the North Koreans take their actions.

The sooner we can agree on how they disable the reactor and then they disable it, the sooner they will get their fuel oil. So we don't have a timeframe, but we feel that because we have linked our assistance to their actions we encourage a situation where they move faster rather than slower.

Mr. MANZULLO. I understand that there is outright desperation in North Korea in terms of the health of the people. In fact, I was privy to one report that said that the average 10-year-old North Korean is a foot shorter and 20 pounds lighter than his counterpart in South Korea.

Again, I would commend you for the work you have done. I also appreciate your candor in saying that these are first steps, that these are initial steps, that you are not presenting before the American people anything more than what you actually have.

Ambassador HILL. Yes.

Mr. MANZULLO. I thank you.

Mr. FALEOMAVAEGA. The gentleman from California, Mr. Sherman.

Mr. SHERMAN. A few quick observations. First, you do need to be a rocket scientist to build an intercontinental ballistic missile that can reach the United States, but you don't need to be a rocket scientist to smuggle a nuclear weapon in the United States since many of them would fit inside a bale of marijuana.

The 1 million tons is one way to talk about it, but we usually talk about things here in dollars. That works out I am told to \$300–\$350 million in aid, and they only get 5 percent. Is that a wrong figure?

Ambassador HILL. The spot market price of heavy fuel oil was something on the order of \$240 a ton.

Mr. SHERMAN. So you get something in the \$250-million range?

Ambassador HILL. Something on that order, yes.

Mr. SHERMAN. Okay. I was throwing in shipping costs and a few other things.

Ambassador HILL. The price could go up or it could go down.

Mr. SHERMAN. Okay. In any case, even at \$300 million, and it might even be \$250 million or less, that is a small amount of aid, and they only get 5 percent of it up front.

I hope that in return for CVID the United States will offer a peace and nonaggression treaty, not just a personal commitment from an individual President not to engage in military action since this President has only 2 years to go on his final term.

I know that we are focusing on Yongbyon, and I hope I am pronouncing that right, and shutting it down. I have been told that it was on its last legs anyway. If the North Koreans hadn't signed this deal, for how many more years do you think they could have operated that facility at something well over half of its capacity, something approaching 75 percent of its capacity? If you can't answer in a public forum, let me know.

Ambassador HILL. Yes. I am not an intelligence analyst, but I will say that the facility was up and running and producing plutonium through the reprocessing plant. There is also a much larger facility which will not go forward, and that is a 50 megawatt facility.

Mr. SHERMAN. So you believe you stopped a vibrant plutonium production program?

Ambassador HILL. I do. Now, I want to emphasize we have a plutonium problem even when this is stopped, and that is the amount of plutonium—

Mr. SHERMAN. The 55 kilograms you referred to.

Ambassador HILL. And also, we need to be very clear that we need answers to their procurement and shipment for highly enriched uranium.

Mr. SHERMAN. Let us now turn to their highly enriched uranium program. Does this deal envision that we are able to monitor any possible importation of yellow cake or uranium ore, that we monitor their existing uranium mines and they account for the uranium ore that they have mined over the years?

Ambassador HILL. Well, I think this set of initial actions does not address that point, but any subsequent actions when we go through the process of complete denuclearization, we need to have a system

that is truly verifiable and so how our experts will choose to verify the dismantlement of an HEU program, highly enriched uranium program, I can't speak for them at this point, but obviously we need to be sure that this program cannot be reconstructed in secret.

Mr. SHERMAN. Let me add that the only way you will know whether the North Korean declaration about their HEU program is accurate is to tour the mines, figure out how much ore was mined, figure out how much of it was used for the plutonium program, and then you may have a hint as to what was available for a highly enriched uranium program.

In getting China to be somewhat helpful at least in this, did you have to imply to the Chinese that the United States would be anything other than vigorous in the protection of our trade interests?

As the chairman noted, I have the Subcommittee on Terrorism, Nonproliferation, and Trade, and I just want to know whether you have hinted to the Chinese that I will nice, that we can be anything but vigorous as a country on the trade issues.

Ambassador HILL. I can absolutely assure you we did nothing of the kind.

Mr. SHERMAN. If you achieve CVID, and you have to, there will be at least one person involved with trade that won't bellyache about it. National security comes first.

Do the Chinese sense that if they don't achieve CVID with North Korea that there will come a time, and it will dawn probably slowly, that the Japanese public opinion and perhaps even the South Korean public opinion will be in favor of a nuclear weapons program in those countries?

Ambassador HILL. I think it is fair to say that there is concern in China that were North Korea to get away with having a nuclear program that this could be destabilizing in the region and could lead to an arms race in the region, and I would argue that that is one of the main reasons that China is as concerned as we are to make sure that this North Korea program is finally and irreversibly dismantled.

Mr. SHERMAN. I yield back. Thank you.

Mr. FALCONE. I will gently nudge the distinguished members of our committee. We have a 5-minute rule here, so please help me with this.

The gentleman from California, Mr. Royce.

Mr. ROYCE. Ambassador Hill, we met in China and you briefed us then on the negotiations that you are involved in.

I have been to Macau previously with the staff here behind me. Here is a \$100 bill, the global currency. But I don't think there is anyone in this room who could tell me with confidence whether this is a real note or a North Korean Supernote.

That is the quality of the counterfeiting that is going on in North Korea. They basically bought the Swiss ink technology when they found out we had purchased it with the premeditated intent to counterfeit these bills and then launder them through Macau, home of Banco Delta Asia, which they used for that purpose.

I read with much concern that as step one of this agreement the United States will "resolve" the issues surrounding Banco Delta Asia within 30 days. We had Under Secretary Nick Burns here be-

fore this committee in November. At that time I advised him not to go wobbly on North Korean counterfeiting. He responded by saying that “the easiest way to resolve this is for the North Koreans to stop” counterfeiting \$100 United States bank notes, stop laundering American currency.

So, I take this to mean that we have received solid and verifiable commitments that the North Korean regime will end its economic warfare against the United States within 30 days? I wanted to ask you that question.

Ambassador HILL. Mr. Congressman, I want to assure you that I have repeatedly raised with the North Korean side that it is completely unacceptable to be engaged in this type of activity, especially the counterfeiting of this \$100 bill.

Our vigilance on this matter does not end with our resolving the matter of this bank in Macau. We will continue to monitor this very closely, and as we see signs that the North Koreans are somehow persisting in this activity I can assure you we will react accordingly.

Mr. ROYCE. Well, here is what gives me pause.

Ambassador HILL. We have no intention of trading nuclear deals for counterfeiting our currency.

Mr. ROYCE. I can understand that, but I am looking at a press report from last week, and when asked if North Korean counterfeiting was continuing, the former head of the administration’s Illicit Activities Initiative replied, “Yes, absolutely.”

Now, this is the first instance of a government counterfeiting another’s currency since the Nazis. This is the first time since then that that type of direct impact on the interests and security of a country, in this case the United States, has been undertaken. It is a direct attack on a protected national asset. It is an act of economic warfare by that regime. If I read these remarks correctly from last week, they are still engaged in that activity.

The Treasury Department has said that Banco Delta Asia was a “willing pawn” for the North Korean Government. A willing pawn. They went through 300,000 documents at the bank, and they said everything they saw reinforced their initial concerns.

We have to deal with North Korea not as we want it to be, but as it is. Without curtailing its illicit activities there is going to be no incentive for that regime to change. The point I am making is that we shouldn’t resolve the issues with that bank and allow Kim Jong Il to get the money to pay his generals until he stops counterfeiting our currency.

Frankly, I don’t think more pressure hurts. I think more pressure helps because virtually every form of income—you know, narco-trafficking, counterfeiting, the use of accounts worldwide to conduct proliferation-related activities. The lines between illicit and licit North Korean money is nearly invisible in the words of Stuart Levy, Under Secretary for Terrorism and Financial Intelligence over at the Treasury Department.

Let us keep up the pressure. Let us redouble the pressure. I would like your comment on that though.

Ambassador HILL. Well, first of all let me say the former head of the Illicit Activities Initiative, I think he left some 2 years ago.

I am not sure he is in a proper position to tell us what is ongoing. What I can assure you is that we monitor this very closely.

Mr. ROYCE. I understand, but I have had conversations this week with people in that department and in Treasury, and I am just letting you know there is still a concern.

Ambassador HILL. We will absolutely continue to monitor that. Now, Treasury Department has had a number of extensive meetings with the North Koreans and has raised in a very direct and very detailed way our concerns about this.

In addition, the Treasury Department, as you probably are aware, has been recently in Macau and has worked over the last 18 months very closely with the Macau Monetary Authority, as well as authorities in Beijing.

With respect to the Section 311 Patriot Act actions, 18 months is about the average, I understand, in resolving our role in these actions. It doesn't mean necessarily—it doesn't mean at all—that in resolving it we walk away from the allegations. It can be quite the contrary.

It does mean to open up a case, go through the available evidence, work with the authorities to find ways to resolve it and then at a certain point to resolve it. That is true in any court case in the U.S. Most investigations have a beginning and an end.

I can assure you that we have not and will not trade progress on denuclearization by turning a blind eye to some of these activities, and there is a very clear reason why. If you look at the nuclear activities, which are illicit in and of themselves, and then you look at some of these financial illicit activities, frankly it is the same pattern of behavior, so they are linked in a certain sense. They are linked by a pattern of behavior.

I can assure you I have raised this in very direct terms, and I note the Treasury Department, which has worked very hard through Stuart Levey's really heroic efforts not just with respect to North Korea, but other parts of the world, has worked in a very detailed way to ensure that our financial system is safe from this type of activity.

Mr. ROYCE. Thank you, Ambassador Hill.

Mr. FALCONE. The gentleman from New York, Chairman Ackerman.

Mr. ACKERMAN. Don't make change for Royce. Sorry. I am just making myself a note. Inside joke.

Thank you very much, Mr. Secretary. You expressed in the clearest and most concise terms in response to a question that should the DPRK strike Japan that we would respond, unequivocally committing us to war with North Korea.

Should China, which is equally as likely at least, strike Taiwan are the Taiwanese as meritorious so clear an answer, or is that more puzzling?

Ambassador HILL. I am sorry. Could you repeat the last part of that?

Mr. ACKERMAN. Yes. Would you do for Taiwan what you are going to do for Japan should they be attacked by bad people?

Ambassador HILL. Well, let me just say that with respect to Japan, the United States has a mutual defense treaty with Japan, and I was referring to our obligations under a treaty.

With respect to the issue in Taiwan, I think we have had a long-standing view of our direct concern about this issue, our desire that this issue be resolved peacefully and that——

Mr. ACKERMAN. And the three letters of exchange do provide that if Taiwan is attacked by China that we will do everything to provide for its defense, which is different than defending them.

I just asked that being as murky as it is, which I assume was absolutely deliberate and brilliantly so, is there a clearer answer today in light of our policy toward Japan?

Ambassador HILL. I can just say that with respect to Taiwan, I cannot change our policy here. I think we have a longstanding policy, and we are guided by One-China, three communiqués and the Taiwan Relations Act.

Mr. ACKERMAN. Indeed we are. Under the agreement, North Korea committed to seal its Yongbyon nuclear facility and provide a list of its other nuclear programs. It also agrees to allow the IAEA inspectors into the country.

My questions are basically will the IAEA be allowed access to the facilities in North Korea other than Yongbyon, and will they be allowed to verify that the list of nuclear programs which North Korea provides is both truthful and complete?

Do the six parties to the agreement agree to rely only on the assessment of the IAEA for assessment and verification of the nuclear program, or will each of the parties separately be able to provide their own individual assessment? If the parties disagree, what happens?

Ambassador HILL. Well, again this is a set of initial actions, and one of the initial actions is shutting down the Yongbyon facility and to verify that it has been shut down.

Mr. ACKERMAN. That is clear.

Ambassador HILL. We will have IAEA there.

Mr. ACKERMAN. Yes.

Ambassador HILL. Looking beyond, we will need to work in the follow-on phase to have a complete list of their programs, a declaration of all their nuclear programs which must be abandoned pursuant to the September 2005 agreement.

Mr. ACKERMAN. They give us that list, and if we——

Ambassador HILL. We will need a way to verify that list, absolutely, but I am not in a position today to tell you the role of the IAEA versus the role of some of the U.N. Perm Five members, that is the nuclear states, that will have a special role, for example, in the verifying and in addressing the issue, for example, of the plutonium, the fissile material already produced.

Mr. ACKERMAN. So if the IAEA goes to one of the facilities that is later named that is on the list or discovers one that is not on the list, and I don't know how you handle that, and the IAEA says this is a bad and dirty shop and comes to that conclusion, are we allowed to agree or disagree, or if the Chinese say no, it is an ice cream factory or something?

Ambassador HILL. Well, we have not worked out the rules.

Mr. ACKERMAN. I mean, how does that work?

Ambassador HILL. Yes. We have not yet worked out the rules on how challenge inspections might be accomplished in the future.

The United States, as some of the other countries have, has our own national means of verification, national technical means, that I think we would continue to have.

Mr. ACKERMAN. That is if they put it on a list.

Ambassador HILL. Yes. I mean, we would——

Mr. ACKERMAN. What if they don't put it on a list? I mean, Saddam Hussein never gave us a list.

Ambassador HILL. Well, I think when we get the declaration, and one of the reasons that within the first 60 days we want to have a process where we discuss the declaration is that when we come to North Korea giving us a complete declaration that to our view it is a complete declaration.

Clearly we have to be able to verify this, and I can assure you what we will not end up with is an agreement where they pretend to disarm and we pretend to believe them. We will have an agreement where we know.

I mean, the only agreement we can accept is an agreement where we can really verify what they have said and what they have not said.

Mr. ACKERMAN. Very quickly, Mr. Chairman. I know the time has run.

A million metric tons of oil. How long does that last at the rate at which North Korea uses it?

Ambassador HILL. We will discuss that in the working group. The North Koreans have said that they can accept that in a year's time. In terms of total energy needs of North Korea, it is fairly small. My understanding is it is less than 10 percent.

Heavy fuel oil can only be used in certain things. That is, it can be used in certain power plants that take this type of heavy fuel oil that goes in a boiler. They do not have the refining capacity to take the heavy fuel oil and turn it into gasoline.

Mr. ACKERMAN. I appreciate that. In the interest of time, I was just interested in how long we have to get back to the table because when the oil expires so does the agreement.

Ambassador HILL. I think we are talking less than a year.

Mr. ACKERMAN. Under a year.

Mr. FALEOMAVAEGA. I thank the gentleman.

The gentleman from Arizona, Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman.

Ambassador Hill, there was some discussion in the media at least that this \$26 million frozen in Macau was a real item that they were looking at.

In your view, was it? Are they that bad off where \$26 million would make that much of a difference, or was it just the issue of the future and what might be frozen later?

Ambassador HILL. I think this is a matter of analysis rather than policy, but I would say that what certainly got their attention is the fact that we could identify certain financial nodes of theirs, banks that they were using, and bring to bear our own process to deal with those.

Now, I think what they have come to understand is that illicit activities are important to us and that we will go after them when we see them. What I have pointed out to them is the fact that when you are engaged in illicit activities and you have a nuclear

program to boot you should not be surprised that your finances get a pretty careful scrubbing.

So whether it was the \$25 million or so that created the problem I am not sure. I think they were concerned about the fact that we were able to go after an important node of their financing.

Mr. FLAKE. With regard to bringing the Japanese fully into this agreement in terms of supplying fuel oil and whatnot, how likely is it in your view that Japan can solve the abduction issue with the North Koreans and move beyond that?

Ambassador HILL. Well, I think we have made a start in terms of identifying a mechanism for dealing with it. I think my sense of it is that it is going to be a difficult issue, but I would not say it is an impossible issue.

I have made the point to the North Koreans on many occasions that they are a small country, as they like to describe themselves, and if they are going to be small they better be smart. It works in the NBA and it works in lives of nations. I think by smart, they need to reach out and figure out how they are going to have a relationship with the world's second largest economy.

I think it is a difficult issue. Certainly I think the North Koreans got themselves very dug into a certain position, and my hope is that in this bilateral process they are going to be able to identify a road map, if you will, to figure out a resolution.

I think in some cases the resolution is not going to be a happy one for some of the families in Japan who have lost their loved ones, but certainly those families are deserving of an explanation of what happened.

Mr. FLAKE. Lastly, so much of this hinges on being able to define whether or not they have truly frozen or abandoned or whatever else—one of the terms is disablement of—its nuclear program.

Ambassador HILL. Yes.

Mr. FLAKE. Have the negotiating teams already worked out a definition on these words and what they mean, or is that something you will do as you go along?

Ambassador HILL. Well, there are three main elements to what we have to deal with on the nuclear question. One is to run to ground the question of the highly enriched uranium.

We know they have made purchases. We know from the Pakistanis that they bought these centrifuges. There is no other purpose to a centrifuge of that kind than to produce highly enriched uranium, so we have to get to the bottom of the highly enriched uranium situation, one.

Two, we have to make sure that the international community is able to take control of the fissile material already produced, 100 percent of it, and pursuant to the North Korean agreement to denuclearize that has to be taken care of.

The third issue is to ensure that the production of additional plutonium is dealt with. Now, this third issue involves shutting down Yongbyon, sealing it and also doing the same with the processing plant. So we have a very clear idea how to do that, but we also have had considerable discussions of how to go to the next phase, that is to disable these facilities, which is really a confidence building measure.

It is basically saying this is a one way ticket. We are shutting them down, and the next step is we are going to disable them, and after that we are going to dismantle them, and after that we are going to cart them away. It is on a one-way path, and certainly we do have specific ideas how this could be disabled.

Mr. FLAKE. Thank you, and again congratulations on a lot of hard work. I appreciate how you have always kept this committee informed of what was going on.

Ambassador HILL. Thank you.

Mr. FALEOMAVAEGA. Ms. Watson.

Ms. WATSON. Thank you so much, Mr. Chairman, and thank you, Mr. Hill.

North Korea apparently has done an about-face in terms of its nuclear installations and its nuclear testing. I am wondering if the reason why they are agreeing to all of the provisions you have described this afternoon is because of their economy and is it because of the needs of the people.

I view it from the outside that the starvation and the lack of being able to get the necessary resources has somewhat cajoled them into agreement. Can you kind of explain the motivation behind their agreement thus far?

Ambassador HILL. Well, I do believe that they certainly took note of the international reaction to the testing of a nuclear device and the fact that testing of a nuclear device brought the United States and China together as never before, together in the effort to denuclearize North Korea, so I think they realize that that test of a nuclear device had probably a bigger effect in terms of galvanizing opposition to them. So I think world reaction and especially Chinese reaction was one issue.

I think they have also perhaps realized that for years and years they talked about the fact that they wanted to show that they are a member of the nuclear club. They tested a nuclear device. They put themselves in the nuclear club and then what? They found that their economy was still desperately poor. They found that their people still need food, and of course anyone who has seen the famous satellite photograph at night, they realize that their people desperately need electricity.

In short, they realized that these nuclear ambitions have done absolutely nothing for what their people really need, so that may have been a realization that can only come with the sort of "morning after" that they had once they exploded this nuclear device.

I think in the world reaction and with the creation of U.N. sanctions, they put themselves in not only the nuclear club; they put themselves in another very exclusive club which is the list of countries that have a so-called Chapter 7 resolution sanctions program against them. There aren't too many countries in that kind of bad company, and they are one of them.

Nuclear weapons will not help their economy and it will not make them safe, and perhaps in the wake of actually exploding one they realized that that is the position they have put themselves in, less safe and poorer still.

Ms. WATSON. Are there people in the masses putting any pressure on their administration? I mean, have the people risen up?

From what we can see, there has been a great deal of starvation. The pictures are so bleak. I am wondering if this has emboldened the population, the general population, to put pressure and do they react to that pressure?

Ambassador HILL. Yes. This is an analytical question, but I cannot say frankly that public opinion seems to play much role in decision making in Pyongyang.

Certainly North Korean negotiators often tell me about the difficulties they have with hardliners—not further identified, but hardliners. I have not seen signs that they are under some kind of pressure to reach a deal, so it is a government that prides itself on resisting pressure from wherever it comes. Certainly I don't see a sign of public opinion on this.

Ms. WATSON. But it appears that people are actually starving in the northern part of North Korea. Is that so?

Ambassador HILL. They have had serious malnutrition problems. As one of your colleagues observed earlier, in terms of height and weight and how they compare with Koreans from the southern part of the peninsula, you can see the effect of their diet, their lack of calories.

They have continuing food shortages. I am not in a position to tell you whether there is something defined as starvation there today, although I think we could probably get you the most recent report on the food situation.

Certainly they have a situation where their agriculture is very dependent on weather conditions. If they have not enough rainfall, they don't have enough crops. If they have too much rainfall, they often get flooding conditions. They have a very serious problem in their agriculture.

One would hope that as they put away nuclear ambitions they would begin to focus on some of these economic problems because there is no reason in the world that in 2007 people on the Korean Peninsula should have trouble getting food. There is no reason in the world that should happen.

Ms. WATSON. Just in closing, my observation is that they have been softened up. They expressed to the world the fact that they had nuclear capability, but they can't feed their people. The money and the sources they are putting into developing this energy is not paying off for the people, and I think we are at the point.

So your benchmarks will be what, to see that they are following along to a peninsula nuclear free zone?

Ambassador HILL. Yes. Well, in the first 60 days we have some undertakings we need to take, including beginning this working group that we are going to do on Monday in New York.

They have some undertakings as well, including shutting down and sealing the reactor, bringing the IAEA back and engaging in a serious discussion about what their list of nuclear programs is so that as we move to the next phase where they have agreed to disable, we can move to disablement and get a full list, a full declaration.

These are tight timelines, and we will know, first of all, in these first 60 days if they don't allow the IAEA back in to inspect or to monitor the shutdown of this reactor.

We will know in the next phase, again measured in months, whether they have been prepared to disable the materials and to provide a full declaration. So we are just going step-by-step, and the reason we can go step-by-step is we know the ultimate destination, which is denuclearization, the fulfillment of the September 19, 2005, agreement, so we can take steps toward that.

Ms. WATSON. Thank you so much, Ambassador Hill.

Mr. FALEOMAVAEGA. I will note with interest to the gentlelady that it is very difficult to get accurate statistics or information from North Korea because it is a closed society.

Ms. WATSON. Yes.

Mr. FALEOMAVAEGA. Although there was a report given 2 years ago that there were as many as 2 million North Koreans starved to death because of its economic constraints and problems. Here the problem is the accuracy of the information. It is very difficult to get that.

My good friend, the gentleman from New Jersey, Mr. Smith.

Mr. SMITH. Thank you very much, Chairman Faleomavaega, and thank you for chairing this very important hearing.

First of all just let me say to Ambassador Hill, I want to thank you for your extraordinary life-long service and for your present day leadership in attempting to mitigate the enormous threat posed by a nuclear weapons capable North Korea.

Obviously any nukes constitute a threat, and I think the general understanding is that there may be eight to 12 nuclear weapons held by North Korea, but it does stand to reason that more nukes pose a significantly greater threat. A freeze, rather than unfettered nuclear expansion, is a reasonable goal, especially I would suggest in the short term.

As you know, the deal has its critics. John Bolton, our former Ambassador to the U.N., has called it a bad deal. Elliott Abrams has made the point about his concerns that delisting North Korea as a state sponsor of terrorism would be a mistake as a matter of fact, unless that actually happened and we had assurances that it was happening, and he actually points out that the Libya deal there was a separate track for delisting, as well as dealing with the weapons issue, and I wonder if you might want to respond to that?

Secondly, on the issue of the North Korea Human Rights Act which passed in a bipartisan unanimous vote signed by President Bush, it makes clear that United States humanitarian assistance to North Korea should be delivered only according to internationally recognized humanitarian standards and should reach the intended beneficiaries. Of course, diversion remains a serious concern of all of us. We want to help the starving, not feed his army, Kim Jong Il's army.

Secondly, also any non humanitarian assistance should be contingent on substantial progress during specified human rights benchmarks, and I am wondering if the agreement takes into consideration that law. I know we are part of a Six-Party process, but we also have our own legislation to which we have to adhere to.

Finally, let me ask with regards to the denuclearization issue of the Korean Peninsula. North Korea has defined denuclearization to include elements and operations of the United States military in and around the Korean Peninsula that Pyongyang claims con-

stitutes a nuclear threat. Ambassador Kim Gye Gwan raised this in a December 6, 2006, Six-Party meeting.

If North Korea raises this issue forcefully in the working group on denuclearization of the Korean Peninsula, how does the Bush administration plan to respond? Would the administration be prepared to negotiate over limits on the size and operations of United States forces in exchange for a nuclear agreement that provided for the dismantlement of all North Korean nuclear programs? Can you give some indication where that discussion will go?

I yield to the Ambassador.

Ambassador HILL. Thank you very much, Mr. Congressman. There are several issues you have raised.

First of all to put to rest the issue of United States forces on the Korean Peninsula; our forces are there to lend support to our treaty obligation to defend the ROK, the Republic of Korea. They are there and have created stability and security for the Republic of Korea and have played a role for over 50 years in making that country the success that it is.

We are very proud of what our forces have done there, and frankly we are not interested in combining a discussion of those forces with denuclearization of the Korean Peninsula.

Secondly, we don't have nuclear weapons on the Korean Peninsula. We have no intention to introduce nuclear weapons to the Korean Peninsula. We have made that very clear that we don't have the weapons there, and the Republic of Korea Government has also made very clear that they have not allowed any other country to have nuclear weapons in the Republic of Korea and don't have any of their own, so there are no nuclear weapons in the Republic of Korea.

You mentioned certain laws of ours that reflect human rights issues and humanitarian law. I can assure you that any agreement we reach, any agreement we finally reach, any interim agreement, will be done entirely consistent with our laws and obligations. I can promise you that, Mr. Congressman.

With respect to criticisms of the agreement, I have been in Washington for a while. I would expect nothing less. People, especially private citizens, have a right to criticize this agreement or any other agreement. If I can't take a little criticism I shouldn't be here, so that is fine with me.

I do argue that it is a good agreement. I tried to explain what it is; that is a set of initial actions. I have tried to explain what it is isn't; that it is an agreement that comprehensively takes on all the issues that will need to be taken on if we can finally realize the September 2005 agreement which calls for the complete denuclearization of North Korea.

These are a set of initial actions. There are some who would argue we should have tried to solve this all in one step. Mr. Congressman, if I could have solved this in one step I would have done that. I would have been back here a long time ago. I would be watching spring training games down in Florida.

We can't do it in one step. We tried, and what we are going to try to do now is take some steps toward our goal of full denuclearization and so this is just one step. Frankly, I think if it were the last step people would be absolutely right in criticizing it

as wholly inadequate because it is inadequate. We need to follow it up with additional steps.

I have a very, very competent team, and I appreciate all the kind words that many of the members have made to me, but this is a team sport, diplomacy. I had some 26 people with me in Beijing who deserve all the credit or, as some would argue, the blame for this set of initial actions.

We are going to go back there after some 30 days and go on from there. This is really going to be a tough, difficult process. The North Koreans, frankly we are asking them to do something that doesn't come naturally to them and so we have to make it clear by working together with others, especially China, working together with others and laying out some incentives and laying out some clear choices for them because one way or the other we are going to have to solve this problem. We don't have the option of walking away from it, so we have to address this.

I won't speak to Mr. Abrams' comments. I guess they are internal emails or something—I have never seen them—but I will say that with respect to things that the North Koreans have wanted, that is to be taken off the list of state sponsors of terrorism, we indeed will be prepared to talk to the North Koreans about that. We indeed would like to see as our goal to do that.

I think it would be in our country's interest if we can ensure that countries that have been involved in terrorism, but are no longer involved can therefore be removed from that list. I think that is in our interest to do that, and we are going to have some good discussions about that. I hope they will be fruitful discussions.

Mr. SMITH. Thank you.

Mr. FALEOMAVAEGA. The gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman.

This is a fascinating moment in American history, and I agree with you. We have to take it step-by-step, and this is a great first step.

I think we would categorize this first step as sort of trust and verify, and that is where I would like to center my questions. Here we have North Korea, a Communist state, a closed society. Every inch of the way leading up to this has been a very difficult process of trust.

I want to talk to you just for a moment about the guarantors of this. You talked about it. Can you elaborate about what guarantees do we have in place just on the first step? The first step first involves South Korea giving 50,000 tons of oil. How much money is that? What guarantees do we have that they will do the next step?

You mentioned the greatest element of that guarantee is China, and in your description of that guarantee you mentioned a very fascinating word to me. You said harmonizing. Would you tell us what that means? Then I have another question to follow up to that.

Ambassador HILL. With respect to initial 60-day actions, we have agreed to do some things. The North Koreans have agreed to do some things.

Now, if we have a situation where, for example, they receive the initial 50,000 tons of heavy fuel oil, which will probably come toward the end of the 60 days—it depends on shipping schedules, et cetera—this 50,000 tons of heavy fuel oil has a market value of be-

tween \$12 million and \$15 million depending on which broker you bought the fuel oil from.

So if we had a situation where——

Mr. SCOTT. And South Korea has agreed to pay for that?

Ambassador HILL. South Korea has agreed to this initial tranche, but we have agreed to work with the South Koreans, the Russians, the Chinese and we hope at some point with the Japanese, to share on an equitable basis the overall economic and energy support or assistance.

It is not fair that South Korea take on this, but for a number of practical reasons they agreed to do this first tranche, but assuming we get into additional tranches we will try to work that out equitably. In this first tranche it is about \$12 million worth of fuel oil.

Let us say that on day 58 South Korea provides \$12 million of fuel oil, and then on day 59 the North Koreans kick out the inspectors and announce well, thanks for the \$12 million of fuel oil, but we have decided to kick you all out, and we are going to continue producing plutonium.

It could happen, I suppose, but I don't think it is in anyone's interest, including the North Koreans', that they create a situation that for \$12 million worth of fuel oil they have abrogated an agreement that they have made not just with the United States, not just with South Korea, but with all the countries in the region, especially a country on whom they depend for daily amounts of assistance, and that is China.

So I think the way it is approached is that within 60 days certain actions happen, and if one side tries to cheat the other side in these 60 days I think everyone will see it so I am not too concerned on that.

Mr. SCOTT. Okay. Now we go to the next step, which we get into the issue of dismantlement.

Ambassador HILL. Yes. Disablement.

Mr. SCOTT. Disablement.

Ambassador HILL. Yes.

Mr. SCOTT. Let us suppose that the Koreans would want to link, and you talked about denuclearization before, but let us suppose there is a linkage there, and there is, from what I understand, a possibility they could link disablement with the denuclearization.

You mentioned that denuclearization would not have an effect to us because we have no nuclear weapons on the peninsula.

Ambassador HILL. Yes.

Mr. SCOTT. But it is my understanding that the North Koreans, when they talk about denuclearization, they are talking about something different. They are talking about removing United States troops from the peninsula, disengaging from South Korea.

So we get into a situation when we move into the second step of semantics and disagreement and so my point is if denuclearization means one thing to us——

Ambassador HILL. Yes.

Mr. SCOTT [continuing]. And something else to the North Koreans, how do we deal with that if they link that to disablement?

Ambassador HILL. Yes. Well, I think you raise important points, but let me say that one of the reasons in September 2005 we start-

ed with a set of principles and overall goals was to address some of these issues.

For example, the North Koreans have at times expressed concern about whether we have nuclear weapons on the Korean Peninsula and so what we agreed to put into the September 2005 Joint Statement was that "the United States affirmed that it has no nuclear weapons on the Korean Peninsula and has no intention to attack or invade North Korea with nuclear or conventional weapons." We put that in there to address precisely the concerns that you have heard from the North Koreans.

In addition, "the Republic of Korea reaffirmed," because they have affirmed it before, "its commitment not to receive or to deploy nuclear weapons in accordance with the 1992 Joint Declaration of the Denuclearization of the Korean Peninsula, while affirming that there exists no nuclear weapon within its territory."

So these paragraphs are put in there precisely to address the possibility that the North Koreans considered this a serious problem. We do not have nuclear weapons in the Korean Peninsula and everybody knows that, including the North Koreans.

Now, they did not try to address the issue in this statement of principles. They did not try to address the issue of our conventional forces. They have conventional forces in North Korea. We have some conventional forces, although the number of our forces is down to some 28,000, and the South Korean forces are something like on the order of a half a million.

So there are conventional forces, and at some point one can imagine some kind of negotiation on those, but that is not in the purview of this denuclearization agreement.

Mr. SCOTT. But it could become a point of negotiation if it got down to it? To get them to move an inch, are you saying that the number of troops on the peninsula could be up for some level of negotiation if that—

Ambassador HILL. No, I am not saying that. I am not saying that. Our conventional force levels are not the subject of this nuclear negotiation. Absolutely not, and I would argue our forces in South Korea have kept security and stability in the Korean Peninsula, and why would we want less security or less stability?

Mr. SCOTT. That is a good point.

Ambassador HILL. Now, I agree with you that occasionally this subject comes up, and certainly if you read North Korean press statements, which I hope you don't, but if you do, you will see a number of comments that are, to put it gently, way off base.

We know what those forces are there for, and they are not part of any nuclear deal.

Mr. SCOTT. Mr. Chairman, I know my time is up, but one last, little point I wish you could hit for us.

What is your understanding of the number of nuclear weapons, nuclear devices? What is the level that they have now?

Ambassador HILL. Yes. This is a question probably best posed to an intelligence analyst. My understanding or what I can say publicly is that they have on the order of, just to give an order of magnitude, 50 kilograms worth of fissile material from the Yongbyon reactor, that is the plutonium from the reactor.

Depending on what your nuclear weapons design is, you might have 6 kilograms per weapon, for example. Now, again it depends on what the design is and it depends on which intelligence analyst you talk to, but if you divide 6 into 50, you do the math. That is how you get the “number of weapons.” It is a rough science in that regard.

What is not a rough science is that we need to determine to the ounce, or to the gram, I should say—to keep it in the metric scale—precisely what fissile material they have, because all of that fissile material must be accounted for.

So that needs to be done. That can be done through the declaration process, but also through certain forensics on the reactor or the reprocessing.

Mr. FALEOMAVAEGA. The gentleman from Colorado, Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr Chairman.

Mr. Ambassador, just recognizing the difficulty we have had in the past with North Korea and especially in terms of getting a common understanding of definitions when we have entered into any sort of negotiations, there is a question that comes to mind about one part of the agreement, Section 4 specifically.

It states that North Korea provide a “complete declaration of all nuclear programs and a disablement of all existing nuclear facilities,” but then rather than stopping with that very strong categorical statement it goes on to say, “including graphite moderated reactors and reprocessing plant.”

Now, because you start there delineating certain things when you say including, you wonder of course whether we shouldn’t have gone on to be more exhaustive in the list. Certainly we don’t even mention the highly-enriched uranium program, and it is the very issue that prompted the crisis in October 2002.

I worry and I expect that North Korea will point to the incomplete list to try to justify the adequacy of an incomplete declaration in the future, so one of the things I was wondering is, Where exactly did the term “graphite moderated reactor” come from? Was it something that North Korea pushed for?

Secondly, wouldn’t you agree that the disclosure and disablement requirements would have been stronger if we had just simply stopped after the phrase, “all existing nuclear facilities”?

Ambassador HILL. Right. Let me, if I could, just take a second to explain why that paragraph is there.

This was supposed to be an agreement on some initial actions; that is shutting down Yongbyon, sealing it, bringing the inspectors in, and then any discussion of additional fuel oil was supposed to go into the economic and energy working group.

The North Koreans, during these negotiations in Beijing, wanted us to give an overall figure on what we could do in fuel oil, and we told them if you want to have more fuel oil, we need deeper denuclearization. We need to go deeper into the process of denuclearization, more than just this initial action of shutting down the graphite moderated reactor in Yongbyon.

We set out for them the fact that additional quantities of fuel oil totaling some 950,000 tons would be available provided the North

Koreans gave a complete declaration and took steps to disable the reactor.

Now, one thing I was concerned about is in the past they have shut down Yongbyon only to kick out the inspectors and bring it up again. We want to go beyond what we have done in the past, so we proposed that they begin to disable these facilities, these same facilities, and that is why we put disabling, we put the graphite moderated reactor, which is precisely the reactor that we are talking about shutting down. We would then actually disable it, so that is the thought that animated that sentence.

Certainly I have had many discussions with the North Koreans on the subject of highly enriched uranium, and they have told me that they understand this is an important issue for us. They have not acknowledged the existence of it, but they have told me they understand the importance we attach to resolving this issue and that therefore they are prepared to have a discussion between our experts and their experts that would lead to what they described as a mutually satisfactory result.

Now, what is satisfactory to us is the complete removal of this program because this is a nuclear program, highly enriched uranium, and all means all, so if we determine that there is a program it has got to go. They, however, are maintaining the position that they don't have that program so we are going to sit down, and we are going to discuss it with them.

What I can assure you of is we cannot accept a complete list unless we believe it is a complete list. As I said earlier, we cannot have a situation where they pretend to disarm and we pretend to believe them. We need to run this to ground, and we do know—as a fact—that they made purchases of equipment whose only purpose can be highly enriched uranium.

How far they have gotten, whether they have been able to actually produce highly enriched uranium at this time, I mean these are issues that intelligence analysts grapple with, but what we know is that they have made purchases and we need to have complete clarity on this program.

Mr. TANCRED. Thank you, Mr. Ambassador.

Thank you, Mr. Chairman.

Mr. FALCOMA. The gentleman from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman, for this important hearing and the testimony that we have received this afternoon.

Ambassador Hill, I don't know whether it was passed on to you, but this morning Ambassador Holbrooke commended you for your good work.

I would like to focus my questions in a couple areas related to your testimony. First, I heard you say a bit ago about, and these are my words. I don't know if you referred to them as benchmarks, but the steps with the timelines that have to follow in the work that you are now proceeding with in New York and following up with the other parties to the agreement.

I would like to get a real sense as to, one, if China, which as you have stated is probably the most important partner in this effort, is in accord with all of the benchmarks and the steps, and I would

like to also hear a comment from you as to what you think their motivations are.

Ambassador HILL. Well, I think with respect to China their reaction to the missile test in July and the nuclear test in October was pretty firm and pretty swift. They worked with us and very closely in the U.N. to achieve two resolutions, one in July and one in October, but then they also implemented these resolutions, and we know this because we observed this.

They moved to implement these resolutions, that is inspecting cargo, for example, on some of the cross border points on the Yalu River. In short, they made it very clear that they really do support efforts to denuclearize North Korea.

Now, one of the reasons is they know that if North Korea is allowed to proceed with its nuclear weapons program, North Korea will find itself in even deeper isolation, and China will have no choice but to join in that isolation and that ultimately further nuclearization in North Korea will make it more unstable, and China doesn't want a very unstable element on its border.

Secondly, the Chinese are very concerned about what could be the reaction in the neighborhood. Could there be an arms race developed in the neighborhood? They are certainly concerned about how Japan would react to continued nuclearization in North Korea, certainly concerned about how South Korea might react.

Mr. COSTA. To sum it up, as most countries, they are acting in their own self-interest.

Ambassador HILL. Yes.

Mr. COSTA. And it is not in their self-interest to see this prolonged, whatever game the North Koreans are playing.

Ambassador HILL. That is right. Yes. Yes. It is not in their interests at all, and they know a nuclear North Korea is a very unstable element in the neighborhood.

Mr. COSTA. That leads me to my second question. We had Ambassador Lilly before the full committee 3 or 4 weeks ago before you had made this progress, and they were commenting on his observations when he was Ambassador to South Korea.

I asked him a question at the time to comment about the leadership of North Korea from the father to the son to the current level of how power is dispersed within that country.

I would like you to give us some observation from your sense, having been working on this for so long, as to the stability of that leadership and whether or not it is going to continue on to the next generation.

Ambassador HILL. Well, I am engaged in continued negotiation with the North Koreans so I think I probably would want to refrain from making overt comments on how I see the stability of that regime, but I will say that they are going to need to adjust their attention to their economy.

From all signs we have seen, their economy is in worse shape today than it was 5 years ago, and while they have some signs of some increasing marketization due to cross border trade with China, overall I would say North Korea is facing some very difficult problems.

They have a problem of infrastructure that is worsening. They are not building roads that they need. Their industrial sector is not

moving ahead. We also know from their need for fuel oil that they are increasingly having problems in their energy supply.

All of these issues I think would be of great concern to any government anywhere in the world, and I think that includes the government in North Korea.

Mr. COSTA. So you think internally they are concerned about their own stability if they are not able to deliver to their own folks?

Ambassador HILL. Right. I think the issue is their own security and ultimately how that would affect their stability. They are not a country that pays a lot of attention to what the rest of the world thinks of them.

Mr. COSTA. Except for their ability to stay in power.

Ambassador HILL. I think they are very interested in retaining their system.

Mr. COSTA. Yes.

Ambassador HILL. Yes.

Mr. COSTA. Thank you.

Mr. FALEOMAVAEGA. Thank you, Mr. Costa.

We had anticipated Ms. Jackson Lee from Texas also, which I am very pleased that she is unable to make it.

Mr. Ambassador, you have given 3 hours of your most precious time. I do regret and wish that more members of this committee would have been here to hear your testimony on this very vital and important issue to our nation's needs in this important region of the world.

I certainly want to commend you for your fantastic patience. Anyone that has to negotiate something that you went through needs patience, and I want to say that I certainly speak for the chairman and the members of this committee again to commend you and your associates on the tremendous job that you have done.

I read somewhere in the Good Book, it says, "Blessed are the peacemakers for they shall be called the children of God," and I think I certainly from this member give you all the support and wish you all the best in the upcoming weeks and months as you continue this important dialogue with the people and the leaders of North Korea and bring this to a successful conclusion.

Mr. COSTA. Mr. Chairman?

Mr. FALEOMAVAEGA. Yes?

Mr. COSTA. I just want to concur with those very hopeful words. We do appreciate your good work, and thank you, Mr. Chairman, for your effort.

Mr. FALEOMAVAEGA. Thank you. The hearing is adjourned.

[Whereupon, at 4:30 p.m. the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE BRIEFING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS

JANUARY 18, 2007

Thank you, Mr. Chairman, for yielding, and I applaud Chairman Lantos and Ranking Member Ros-Lehtinen for including this hearing in the rigorous agenda you have set for the Committee on Foreign Affairs this Congress. Welcome Secretary Perry and Ambassador Lilley. Your service to our country is much appreciated and respected, and I look forward to hearing from both of you on your expertise on the subject of North Korea. As American citizens, we must understand the burden that we have as a result of our superpower status and enormous assets—diplomatic, economic, political, military, and moral—to work toward the cause of global leadership for peace, justice, and security. I look forward to your testimony and having the opportunity to probe your views in depth. Thank you again for being here.

Mr. Chairman, ever since the first signs of a nuclear program were detected in North Korea in the 1980s, it has been considered a serious potential threat to our national and global security. After a number of talks and substantial pressure on their government, they finally agreed to a long-range missile moratorium in 1999. Yet three years ago, North Korea withdrew from the Non-Proliferation Treaty, restarted its nuclear reactor, and increased its plutonium supply six fold, all without penalty. Last October, its first nuclear test was conducted.

A continued nuclear program in North Korea could destabilize the whole region and beyond, and would give Iran no reason to hold back from its own program. Other nations, seeing the lack of consequences for North Korea, could follow suit in a widespread nuclear arms race. We must not allow this to happen.

I believe that much of the current state of affairs is a result of failed United States diplomacy in the region, and much must be done to correct this. The “pre-emptive” war on Iraq, a nation with no weapons of mass destruction, has been a distraction from this issue and a waste of our efforts and resources, while a more serious threat has been allowed to flourish in our midst. The only achievements we have made are the destruction of our international reputation and increased tension in relations with our enemies. It was only one month after our invasion of Iraq that North Korea restarted its nuclear program.

In 2005, efforts by Secretary Rice led to an agreement in which North Korea promised to abandon its program, but to no avail. On the same day, Vice President Dick Cheney undermined the deal by ordering sanctions which angered Pyongyang.

We must take a new direction in our foreign policy, and North Korea must be an integral part of our focus. Direct negotiations have worked in the past and, as with Iran, we must continue to attempt to have dialogue with them in the future. As Secretary Albright said yesterday, it is necessary to negotiate with governments with which we are not on good terms. Silence gets us nowhere. I commend you, Mr. Chairman, for your steps in this direction through your visits to Pyongyang within the past 3 years. It is my hope that, with the help of our witnesses today and others, we may continue these negotiations with a clear strategy in mind.

In addition, we must work with international support toward achieving a resolution. This is a global problem, and we should not proceed alone. Sanctions may have a limited effect, but at least they have the potential to get the ball rolling.

Mr. Chairman, the Bush Administration’s policies on North Korea have had no success so far and it is time for a new direction. We must prevent North Korea from continuing along the destructive path it is currently taking, and work to create a better global state of affairs for all.

I look forward to hearing from Secretary Perry and Ambassador Lilley and considering their thoughtful responses to the Committee's questions.

Thank you. I yield the balance of my time.

WRITTEN RESPONSE TO QUESTION SUBMITTED FOR THE JANUARY 18, 2007, BRIEFING RECORD BY THE HONORABLE ALBIO SIRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Question:

The Agreed Framework of 1994 negotiated under the Clinton Administration provided North Korea with a package of nuclear, energy, economic and diplomatic benefits and, in return North Korea would halt the operations and infrastructure development of its nuclear program.

Looking back at the Agreed Framework, which was terminated under the Bush Administration, what are the lessons learned from this agreement that could be applied to our current situation with North Korea?

Response from the Honorable William Perry, Senior Fellow at the Hoover Institution, former Secretary of Defense

The first lesson from the agreement is that coercive diplomacy can be successfully used with North Korea to bring about significant disruptions in their nuclear weapon program.

The result of the Agreed Framework was a delay of eight years in their production of nuclear weapons, during which time they could have built 50 to 100 nuclear bombs from plutonium produced at Yongbyon.

The second lesson is that North Korea will not easily give up their aspirations for nuclear weapons. Our coercive diplomacy effected a major delay in their program, but stopping their desire to have nuclear weapons would require dealing with the fundamental security problem which drives North Korea to seek nuclear weapons. That would entail working for major political and economic changes in North Korea that have the effect of North Korea being a "normal" nation.

Response from the Honorable James Lilley, former United States Ambassador to South Korea

The origins of agreement on North Korean nuclear weapon program precede the Agreed Framework by at least 5 years. The US detected nuclear weapons related activity of Yong Byon in North Korea in the late 1980s. These findings were published with photographs by the Defense Department in the early 1990's prior to 1994. North Korea had already joined the NPT. As a result of IAEA and US interventions, North Korea allowed inspectors into Yong Byon and provided an inventory so to speak of its nuclear facilities. NK also signed a Denuclearization Agreement with South Korea in 1991-92. The US for its part in a general statement signaled its withdrawal of nuclear weapons from South Korea in this same time frame, prior to 1994. North Korea was NOT paid by the US for this movement.

In January 1992 the United States had its first policy level bilateral talks with North Korea in New York City. US delegation headed by Arnold Kantor and the NK delegation by Kim Young-Sun, a close confidant of Kim Jong-Il. Current Secretary-General of the UNSC, Ban Ki Moon was kept fully informed of the contents of these talks.

What changed was in 1993 with a new US administration, the North Koreans became much more belligerent and threatened war—in their words because of our annual joint exercise with South Korea, "Team Spirit." The North Koreans maintained this belligerency until 1994 when the US responded with military movements and the former President Jimmy Carter's trip to Pyongyang in mid 1994. With the Carter trip momentum was started for negotiations between the US and NK on NK nuclear program. These resulted in the Agreed Framework culminated in October 1994.

The Agreed Framework basically stipulated a freeze on North Korean nuclear programs at Yong Byon, IAEA inspector equipment to cover particularly spent fuel rods—these rods however were kept in North Korea where they could be reactivated at any time. In return North Korea would receive two light water nuclear reactors worth above 4 billion US dollars and 500,000 tons of heavy oil per year. These costs would be covered principally by Japan and South Korea.

In addition, the US provided North Korea above 650,000,000 million US dollars of food aid largely unmonitored.

There was positive personal engagement at the high level and working level. The US Secretary of State visited NK in late 2000 and the leading NK military leader

visited the US. There was also a summit meeting in June 2000 between the leaders of North and South Korea.

The downsides were—there was reliable evidence NK had started a HEV nuclear weapon program in secret in 1998 in violation of its agreements and it was confronted on this in 2002. Also North Korea refused to carry out its agreement for another summit and summarily stopped and started other agreements reached.

North Korea suffered a major famine in the mid 1990s which was a motivating factor in seeking foreign aid. It found the threat of expanding a nuclear weapons program as useful leverage in gaining more aid. It also agreed to six party talks Russia, China, Japan, North and South Korea, and the US as a forum for discussion of its nuclear program and benefits it could derive from it.

Now, there is an essential greater cohesion among 5 of the 6 parties in part spurred on by North Korean nuclear and missile tests in 2006. Also we are much better informed on the profound internal problems in NK as well as its economic vulnerabilities.

In sum, the Agreed Framework had a beneficial effect in bringing the various parties closer together and reaching some agreements on dismantlement of NK nuclear weapons program, in return for aid and security guarantees. The downsides were NK got too much aid for too little cooperation. The aid was largely unmonitored and foreign workers had to be imported to build the light water reactors. Also inspections were limited and North Korea was able to develop secret programs of WMD. We also became more aware of North Korean failures in its military programs.

There is little disagreement about the nature of the North Korean regime, a brutal dictatorship with massive control of its own people and a failing economy.

The question is how do we deal with this country. Considerable progress has been made with successes and some failures, and we need to build on our knowledge accumulated over 50 years of negotiating with NK, and work closely with our friends and allies, particularly China and South Korea who have profound interests but differing time tables and some divergent objectives. Progress has been made and we must prevail in the interests of world peace and stability.

